

2013 DETAILED FINANCIAL STATEMENTS



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2013 CONSOLIDATED FINANCIAL STATEMENTS



PHOTO: AJ Batac

DETAILED FINANCIAL STATEMENTS

# REPORT FROM THE CHIEF FINANCIAL OFFICER FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

I am pleased to present the following Financial Statement Discussion and Analysis, prepared by management. The following discussion and analysis of the financial performance of The City of Winnipeg (the "City") should be read in conjunction with the audited consolidated financial statements ("Statements") and their accompanying notes and schedules. The Statements, as well as the accompanying materials, are prepared in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

## Financial Reporting Model

The objective of financial statements is to describe to the user the organization's financial position, the results of its operations and how the economic resources for its various activities have been derived and consumed. The Statements provide information about the economic resources, obligations and accumulated surplus of the City. While similar to financial statements of private sector organizations, government financial statements are different, accounting for the unique aspects of their operations.

|   |  |
|---|--|
| Consolidated Statement of Financial Position                  | Provides information to describe a government's financial position in terms of its assets and liabilities as at the end of the reporting period. Reporting net financial position and accumulated surplus are important indicators to determine the government's financial well being. |
| Consolidated Statement of Operations and Accumulated Surplus  | Provides accountability information for a government's current period operations and the related achievement of objectives for the reporting period. It also describes the change in accumulated surplus.  |
| Consolidated Statement of Cash Flows                          | Provides information about the impact of a government's activities on its cash resources in the current period.  |
| Consolidated Statement of Change in Net Financial Liabilities | Provides accountability information regarding the extent to which expenditures made in the period are met by the revenues recognized in the current period.  |

## Funds, Entities, and Investment in Government Businesses

As noted above, the Statements are consolidated, meaning they reflect all resources and operations under the control of the City. They include departments of the City, special operating agencies, utilities, and entities that are controlled by the City, as well as the City's investment in government businesses. The following is a brief description of the major funds, entities and investments included in the Statements.

### Funds

A fund is a grouping of accounts used to report on resources that have been segregated for specific activities or objectives. The City, like other local governments, establishes these funds to achieve and demonstrate compliance with financial requirements.

The General Revenue Fund reports on tax-supported operations, which include services provided by the City to citizens such as police, fire, ambulance, library and street maintenance. The General Capital Fund was created to account for tax-supported capital projects. The tax-supported capital program is made up of, but is not limited to, reporting on the acquisition and/or construction of streets, bridges, parks and recreation facilities. The utility operations are comprised of the Transit System, Waterworks System, Sewage Disposal System and Solid Waste Disposal Funds, each accounting for its own operations and capital program.

There are four Special Operating Agency ("SOA") Funds included within the City's organization. Animal Services (established in 2000), Winnipeg Golf Services (2002), Fleet Management (2003) and Winnipeg Parking Authority (2005) deliver services as special units of the City.

The SOAs have been given the authority to provide direct public services, internal services, or regulatory and enforcement programs. SOA status is granted when it is in the City's interest that the services remain within the government but require greater flexibility to operate in a more business-like manner. Each SOA is governed by its own operating charter and prepares an annual business plan for adoption by City Council.

City Council has approved the establishment of Reserve Funds, which can be categorized into three types. Capital Reserves finance current and anticipated future capital projects, thereby reducing or eliminating the need to issue debt. Special Purpose Reserves provide designated revenue to fund the Reserves' authorized costs. The Financial Stabilization Reserve assists in the funding of major unexpected expenses, or revenue deficits reported in the General Revenue Fund.

### **Entities and Investment in Government Businesses**

The civic corporations included in the Statements are the Assiniboine Park Conservancy Inc., Winnipeg Public Library Board, The Convention Centre Corporation, Economic Development Winnipeg Inc., Winnipeg Enterprises Corporation, Winnipeg Arts Council Inc., and CentreVenture Development Corporation. These corporations are involved in various activities including economic development, recreation, tourism, entertainment and conventions. The North Portage Development Corporation, Winnipeg Housing Rehabilitation Corporation and River Park South Developments Inc. are included in the Statements as investment in government businesses.

### **Consolidated Statement of Financial Position**

Financial statements should present information to describe the government's financial position at the end of the accounting period. Such information is useful in evaluating the government's ability to finance its activities and to meet its liabilities and contractual obligations, as well as the government's ability to provide future services. To this end, governments need to understand the total economic resources they have on hand to deliver services. These resources can be financial (e.g., cash, accounts receivable) and non-financial (e.g., tangible capital assets). At the same time, in respect of services delivered, governments will have liabilities to be settled in the future, that will consume the financial resources. This is a measure of the government's net financial asset/liability position. This measure must be considered in tandem with accumulated surplus to determine the government's ability to deliver services in the future. A significant portion of accumulated surplus includes the investment made in tangible capital assets which, for governments, represent service delivery capacity.

As at December 31, 2013, the City of Winnipeg reports:

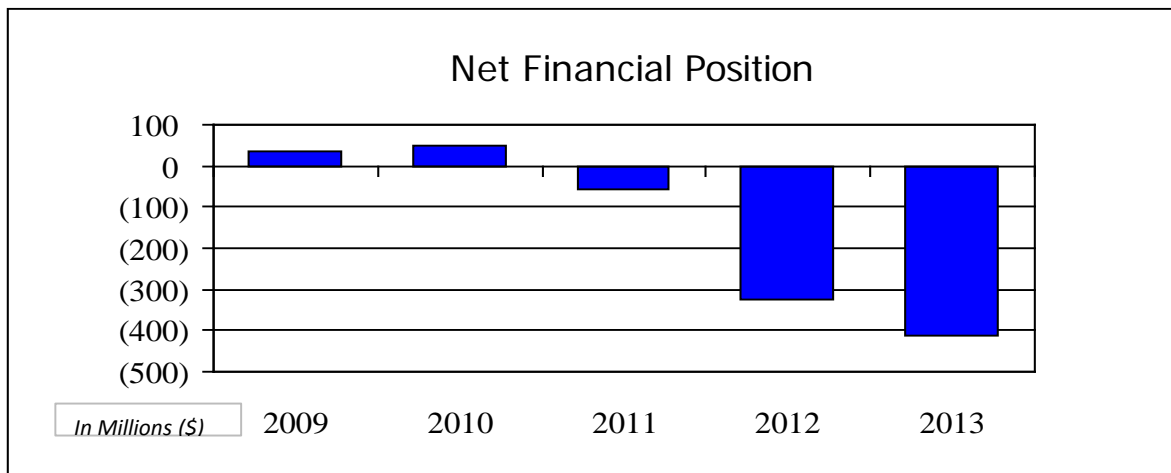
| (in thousands of dollars) | 2013        | 2012        | Variance    |
|---------------------------|-------------|-------------|-------------|
| Cash and cash equivalents | \$ 329,661  | \$ 392,041  | \$ (62,380) |
| Other financial assets    | 617,919     | 557,538     | 60,381      |
| Financial assets          | 947,580     | 949,579     | (1,999)     |
| Liabilities               | 1,358,643   | 1,275,184   | (83,459)    |
| Net financial position    | (411,063)   | (325,605)   | (85,458)    |
| Non-financial assets      | 5,558,726   | 5,238,113   | 320,613     |
| Accumulated surplus       | \$5,147,663 | \$4,912,508 | \$ 235,155  |

The following elaborates on four key indicators in the Consolidated Statement of Financial Position - cash resources, net financial position, non-financial assets and accumulated surplus:

### Cash Resources

The cash resources of the City are its cash and cash equivalents. It includes cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. During 2013, the City's cash decreased by \$62.4 million. This decrease resulted primarily from cash invested in tangible capital assets exceeding cash generated through operating and financing activities.

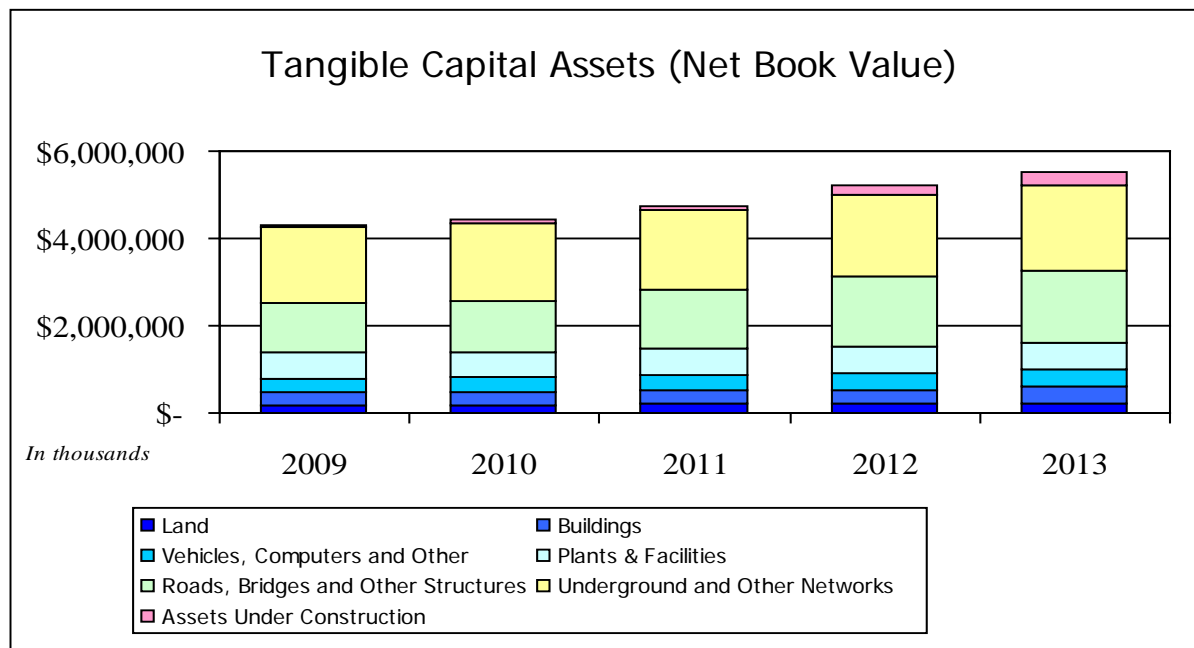
### Net Financial Position



Net financial position is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2013, the City was in a net financial liability position of \$411.1 million (2012 - \$325.6 million). The change in net financial position during the year resulted primarily from increased accounts payable balances related to the construction of tangible capital assets.

## Non-Financial Assets

Non-financial assets of the City are assets that are, by nature, normally for use in service provision and include purchased, constructed, contributed, developed or leased tangible capital assets, inventories of supplies, and prepaid expenses. Tangible capital assets are the most significant component of non-financial assets.



As indicated in the chart above, the City continues to invest in its infrastructure. The acquisition of tangible capital assets is the result of a capital budget plan. The challenge in creating a capital budget is balancing infrastructure needs and protecting the environment while ensuring fiscal responsibility. On January 29, 2013, City Council adopted the 2013 annual capital budget and the 2014 to 2018 five-year forecast. The six-year plan authorizes \$2.5 billion in City capital projects, with \$374.7 million earmarked in 2013. Some of the projects included in the 2013 capital budget are: street projects of \$109.1 million, including \$30 million for Polo Park Area Infrastructure Improvements and \$7.4 million for Molson Street twinning; \$5 million for the East Elmwood Community Centre; and \$7.2 million for community resource recovery facilities.

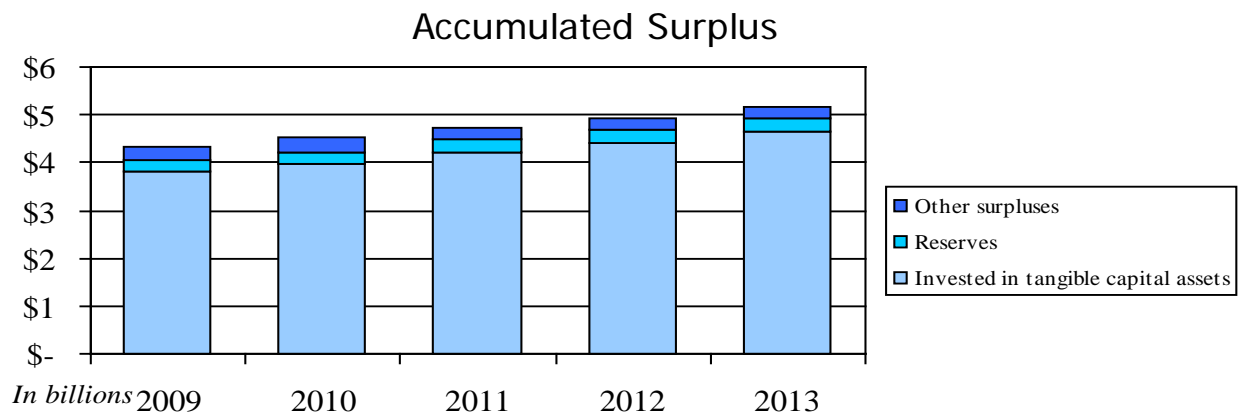
Also included in the capital investment plan over the six-year period is anticipated funding of \$242.7 million under the Federal Gas Tax Agreement, \$316.9 million of anticipated provincial funding and \$458.9 million of cash funding.

During 2013, the City acquired \$543.9 million of tangible capital assets (2012 - \$654.0 million), including contributed roads and underground networks totaling \$91.9 million (2012 - \$72.2 million). These were capitalized at their fair value at the time of receipt. As well, of the assets acquired, \$479.9 million was for tax-supported projects (73%). Spending on tax-supported projects was primarily on roads and bridges, a priority of City Council.

## Accumulated Surplus

Another important financial indicator on the Consolidated Statement of Financial Position is the accumulated surplus position. The accumulated surplus represents the net assets of the City, and the yearly change in the accumulated surplus is equal to the annual excess of revenues over expenses for the year (results of operations or annual surplus).

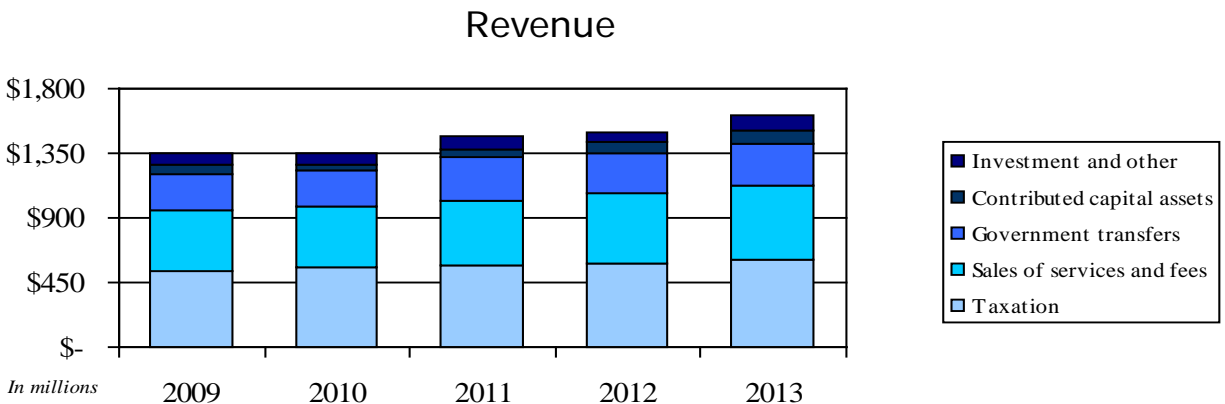
Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements, along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and legal liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2013 - 90%; 2012 - 90%). The investment in tangible capital assets represents the unamortized cost of the tangible capital asset which will be reported as an expense in future accounting periods, except for land. Land is non-depreciable property due to its infinite life. Investment in tangible capital assets is not readily accessible for use in funding ongoing operations.



The City's accumulated surplus, through its investment in tangible capital assets, has grown over the period, indicating a strong foundation upon which services will continue to be delivered in the future.

## Consolidated Statement of Operations

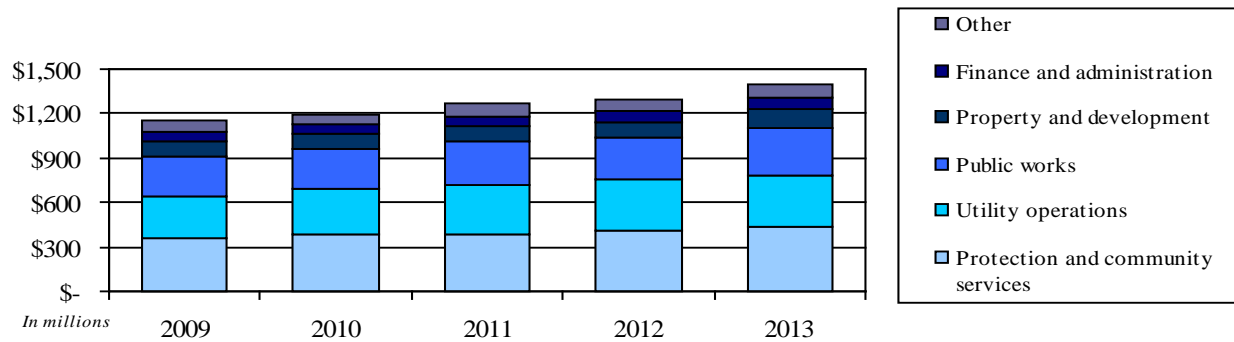
Financial statements should show how and where the government realizes its revenues. They provide information that is useful in gaining an understanding of a government's revenue sources and their relative contribution. They also report the nature and purpose of a government's expenses in the period, demonstrating the allocation and consumption of resources.





Beyond government transfers, the City has a good balance of revenue sources, with the majority regularly coming from taxation, sales of services and regulatory fees. PSAB has introduced indicators of financial condition to assist users of government financial statements to assess financial condition. Indicators of vulnerability measure a government's risk of over-dependency on sources of funding outside its control or influence or exposure to risks that could impair its ability to meet financial and service commitments. Over the five year period presented, government transfers as a percentage of total revenue has been stable ranging from 18 to 20%.

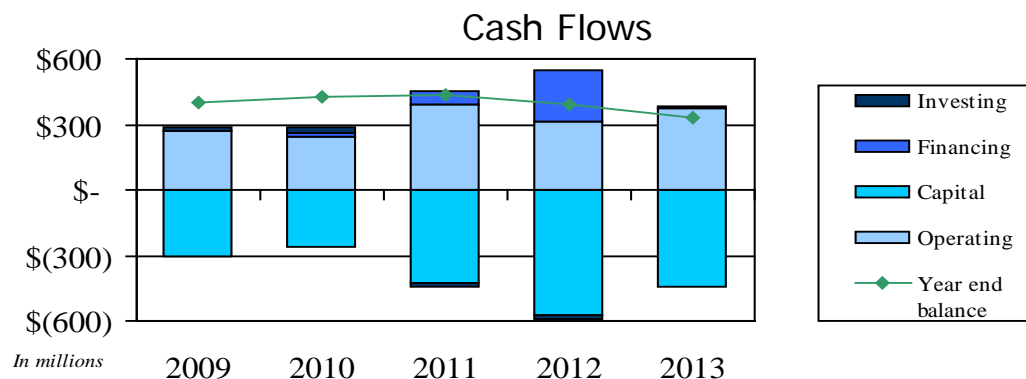
## Expenses



As the table above indicates, the City's protection and community services and public works expenses have increased over the five-year period presented, indicating City Council's priorities of public safety and roads.

## Consolidated Statement of Cash Flows

A government finances its activities and meets its obligations by generating revenues, through external borrowing and utilizing existing cash resources. Cash resources are generated and consumed through operating, capital, financing and investing activities.

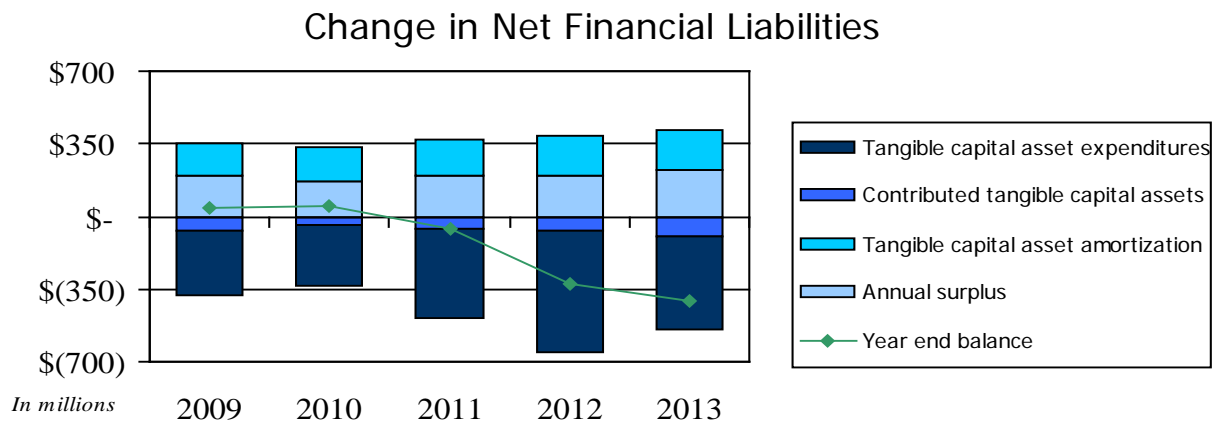


Capital investments have been more significant over the past three years, financed largely through operations, which includes capital-related government transfers, and a responsible amount of debt. With the Disraeli Bridges design, build, finance and maintain project commissioned in 2012, higher tangible capital asset acquisitions and related debt, which includes the service concession arrangement, are noted in the chart above.



## Consolidated Statement of Change in Net Financial Liabilities

As indicated earlier, net financial liabilities is an important measure for governments. Representing the difference between the government's liabilities and its financial assets readily available to satisfy those liabilities, this statement explains why this change differs from the annual surplus produced by the government.



As previously discussed, the City has been making higher investments in its infrastructure over the past three years, as is evident from the above chart. With the investments being made exceeding financial assets generated through operations, the City has partially financed this difference through the assumption of more debt.

Even though the City has assumed more debt in recent years, it has done so responsibly. This statement is reflected in the results of its credit rating review. Late in 2013, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was: "strong economic fundamentals, very positive liquidity position, and average but rising debt burden". However, S&P noted these strengths are offset somewhat by limited budgetary flexibility, which negatively affects budgetary performance, particularly after-capital balances. Moody's Investors Service announced in February 2014, it would also be maintaining the City's credit rating at Aa1.

These debt ratings contribute to the City's ability to access capital markets and to obtain competitive and comparable borrowing terms.

Another indicator of financial condition introduced by PSAB measures flexibility. Flexibility is the degree to which the City can issue more debt or increase taxes to meet its existing financial and service commitments. Even with the assumption of more debt, the City's public debt charges (interest expense)-to-revenues has remained constant over the past several years at a level between 0.03 to 0.04. This indicates the City has sufficient sources of revenue to meet its financial and service commitments. It also demonstrates the low interest rates on debt, reflecting the current market but also the City's strong credit rating.

## Analysis of Statements

The following analysis provides enhanced detail on the Statements.

### Accounts Receivable

The largest component of accounts receivable is trade accounts and other receivables at 57% (2012 - 53%). Approximately 36% of trade accounts and other receivables results from services rendered in the

Waterworks System and Sewage Disposal System. Management has determined credit risk to be low on the outstanding receivables in these two Funds and has provided an allowance for doubtful accounts of \$400 thousand (2012 - \$401 thousand).

As at December 31, 2013, property, payments-in-lieu and business tax receivables, net of the estimated allowance for uncollectible amounts, represented 18% (2012 - 17%) of total receivables. Taxation revenue is 38% (2012 - 39%) of total consolidated revenues.

#### Taxes Receivable

As at December 31

(in thousands of dollars)

|                           | 2013             | 2012             | 2011             | 2010             | 2009             |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Taxes receivable          | \$ 49,592        | \$ 37,960        | \$ 34,747        | \$ 34,387        | \$ 30,036        |
| Allowance for tax arrears | (3,694)          | (3,351)          | (2,629)          | (3,080)          | (3,784)          |
|                           | <u>\$ 45,898</u> | <u>\$ 34,609</u> | <u>\$ 32,118</u> | <u>\$ 31,307</u> | <u>\$ 26,252</u> |

### Investments

#### Investments

As at December 31

(in thousands of dollars)

|                                       | 2013                     | 2012                     |
|---------------------------------------|--------------------------|--------------------------|
| Marketable securities                 |                          |                          |
| Provincial                            | \$ 5,750                 | \$ 6,713                 |
| Municipal                             | 68,482                   | 75,726                   |
|                                       | <u>74,232</u>            | <u>82,439</u>            |
| Manitoba Hydro long-term receivable   | 220,238                  | 220,238                  |
| Other                                 | <u>12,346</u>            | <u>1,172</u>             |
|                                       | <u><u>\$ 306,816</u></u> | <u><u>\$ 303,849</u></u> |
| Market value of marketable securities | \$ 73,892                | \$ 86,221                |

During 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale included annual payments commencing in 2002, which declined gradually to \$16 million annually thereafter in perpetuity starting in 2011. The accounting value of the investment is based on the discounted sum of future cash flows that have been guaranteed by the Province. The long-term receivable has been fixed at the December 31, 2010 value, which coincides with the payments remaining at \$16 million in perpetuity.

Marketable securities are generally long-term in nature. These securities are being held to finance future anticipated costs such as perpetual maintenance at the three cemeteries maintained by the City. City Council has approved an Investment Policy to provide the Public Service with a framework for managing its investment program. The Investment Policy provides guidance and parameters for developing a portfolio strategy; a performance measurement section, including benchmarks and objectives; an enhanced reporting framework; and additional categories of investments that can be made. Safety of principal remains the overriding consideration for investment decisions. Consideration is also given to risk/return, liquidity and the duration and convexity of the portfolio.

## Debt

### Debt

As at December 31

(in thousands of dollars)

|  | 2013       | 2012       |
|--|------------|------------|
| Sinking fund debentures                    | \$ 658,000 | \$ 688,000 |
| Equity in sinking funds                    | (195,237)  | (264,037)  |
|  | 462,763    | 423,963    |
| Serial and installment debt                | 34,621     | 56,884     |
| Bank, Province of Manitoba and other loans | 109,263    | 116,427    |
| Capital lease obligations                  | 26,056     | 26,592     |
| Service concession arrangement obligations | 157,344    | 158,759    |
|  | 790,047    | 782,625    |
| Unamortized premium on debt                | 10,349     | 10,536     |
|  | \$ 800,396 | \$ 793,161 |

The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under The City of Winnipeg Charter, the City is required to make annual payments towards the retirement of sinking fund debt for which the City maintains two sinking funds. One of the sinking funds is managed by The Sinking Fund Trustees of the City of Winnipeg. The second fund was created as a result of revisions to The City of Winnipeg Charter and is managed by the City for sinking fund arrangements after December 31, 2002. The City pays interest on the principal to the investors and contributes a set percentage of the principal into the sinking funds. The sinking fund contribution percentage is set at the time of debt issuance and is estimated to be sufficient to retire the debentures as they mature.

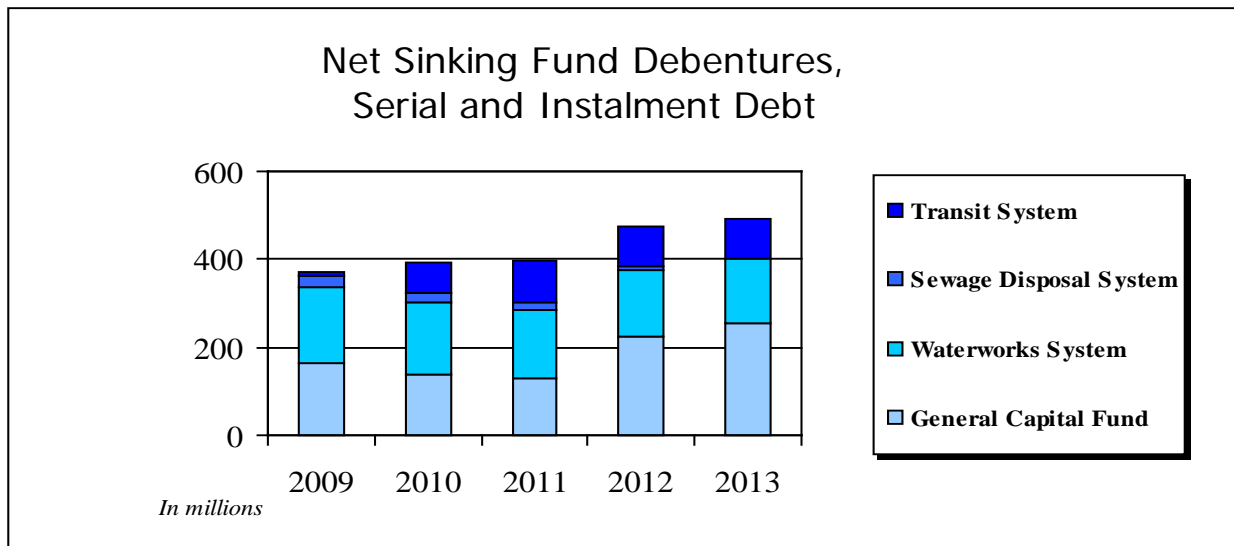
These annual sinking fund payments are invested primarily in government and government-guaranteed bonds and debentures. By investing in bonds and debentures of investees that are considered to be high quality, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations. However, The Sinking Fund Trustees of the City of Winnipeg is projecting a sinking fund deficiency of \$17 million for the November 2017 debt retirement (series VU,) due to the low interest rate environment which has persisted since the global economic crisis of 2008. This November 2017 maturity is the last issue that will be retired based on the securities actively managed by the Trustees.

The Sinking Fund Trustees of the City of Winnipeg also manage debt related to Winnipeg Hydro. Manitoba Hydro purchased Winnipeg Hydro in September 2002 and as part of the sales agreement, this sinking fund is required to hold Manitoba Hydro Electric Board bonds issued by Manitoba Hydro. These bonds were issued for the purpose of enabling the City to repay and defease the Winnipeg Hydro debt, having identical terms and conditions as to par value, interest and date of maturity as the debt. The bonds are guaranteed by the Province of Manitoba.

During 2013, the City issued a sinking fund debenture for \$60 million. The debenture carries a 4.4% interest rate and will mature on November 15, 2051.

The City has also incurred serial and installment debt having varying maturities up to 2019, and carrying a weighted average interest rate of 4.5% (2012 - 4.7%). Annual interest and principal payments are made on the debt to the investors. In addition, the City has guaranteed the payment of principal and interest on

capital loans totaling \$7.4 million (2012 - \$6.6 million) for several third parties. The City does not anticipate incurring future payments relating to these guarantees.



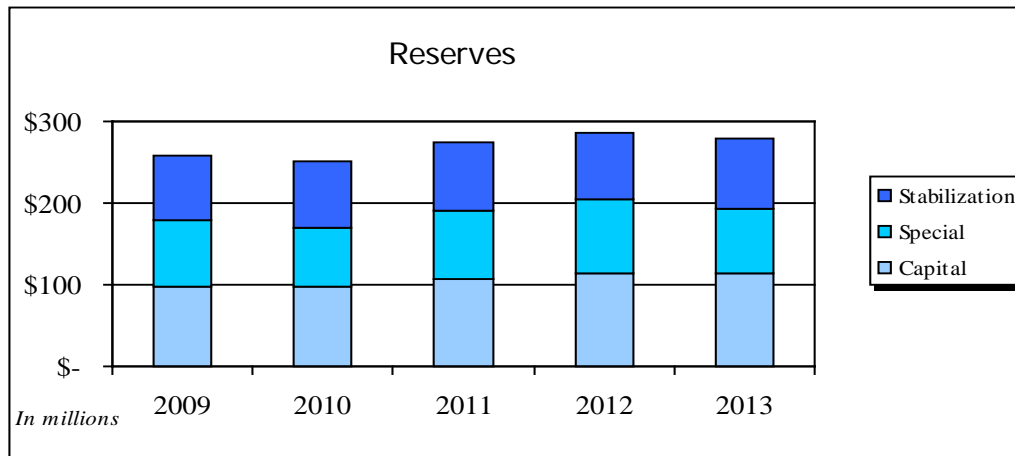
Liquidity is an important measure of an organization's ability to readily service its debt obligations. This is measured by a debt service coverage ratio, comparing free cash and liquid assets to annual debt servicing (principal and interest). The following table presents the last five years:

| Debt Service Coverage Ratio                  | 2013   | 2012   | 2011   | 2010    | 2009   |
|--|--------|--------|--------|---------|--------|
| Free Cash and Liquid Assets/<br>Debt Service | 621.6% | 577.2% | 646.6% | 528.90% | 427.4% |

The past two years have seen this ratio reduce somewhat, resulting from the City's higher investment made in tangible capital assets. In its recent credit rating report, Standard and Poor's commented that the City maintains very positive liquidity that even under their conservative base-case scenario, will remain strong.

## Reserves

Reserve balances have decreased overall by \$7.4 million (2012 - \$10.5 million increase) from the prior year. The City's Special Purpose Reserves and Capital Reserves balances decreased by \$12.4 million and \$0.4 million respectively, while the Financial Stabilization Reserve increased by \$5.4 million. Compared to the 2014 tax supported expense budget, the Financial Stabilization Reserve's accumulated surplus is projected to be \$9.4 million (including projected net interest revenue) over its targeted level of 8% of the General Revenue Fund's adopted budget expenses. The City Council-adopted 2014 budget provides for a draw of up to \$11.74 million into the General Revenue Fund. Should the Reserve's financial position not permit the full draw, the Public Service will review the implications of the resulting shortfall to the General Revenue Fund.



Effective January 1, 2013, a new reserve was established to track dedicated revenue for the sole purpose of funding the renewal of local streets, back lanes and sidewalks. The long-term proposal, subject to annual City Council approval, is to fund the Local Street Renewal Reserve Fund by dedicated annual 1% property tax increases over eight or nine years. In the ninth year, the funding from property tax increases would be exchanged with the current frontage levy. The current frontage levy is \$3.75 per frontage foot, which is proposed to increase annually commencing in 2022 by \$1.00 per frontage foot for approximately 13 years.

In the 2014 budget, a similar dedicated 1% tax was introduced to fund a new Regional Street Renewal Reserve. Approximately 80% of the traffic volume in the City occurs on 1,800 lane kilometres of regional streets. The long-term proposal, subject to annual City Council approval, is to dedicate annual 1% property tax increases for nine years, committed to the renewal of regional streets. After the ninth year, the property tax increase would drop to 0.25% to address construction inflation.

### Consolidated Revenue and Expense Comparisons

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2013, on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses. The statements include a consolidated budget, which provides additional transparency and accountability.

During 2013, the City recorded consolidated revenues of \$1.619 billion (2012 - \$1.497 billion), which included government transfers and developer contributions-in-kind related to the acquisition of tangible capital assets. Consolidated expenses totaled \$1.397 billion (2012 - \$1.300 billion). As a result, the City's accumulated surplus increased by \$0.222 billion (2012 - \$0.197 billion).

| Consolidated Revenues<br>For the years ended December 31<br>(in thousands of dollars) | Budget<br>2013 |     | Actual<br>2013 |     | Actual<br>2012 |     | Budget to<br>Actual<br>Variance | Actual to<br>Actual<br>Variance |
|---|----------------|-----|----------------|-----|----------------|-----|---------------------------------|---------------------------------|
| Taxation  | \$ 603,944     | 38% | \$ 611,813     | 38% | \$ 587,578     | 39% | \$ 7,869                        | \$ 24,235                       |
| Sales of services and regulatory fees   | 512,215        | 33% | 507,869        | 31% | 483,339        | 32% | (4,346)                         | 24,530                          |
| Government transfers - Operating  | 162,272        | 10% | 161,337        | 10% | 158,975        | 11% | (935)                           | 2,362                           |
| Investment, land sales and<br>other revenues  | 112,117        | 7%  | 115,435        | 7%  | 73,762         | 5%  | -                               | 41,673                          |
| Revenue before Other  | 1,390,548      |     | 1,396,454      |     | 1,303,654      |     | 5,906                           | 92,800                          |
| Government transfers - Capital  | 133,192        | 9%  | 130,921        | 8%  | 121,262        | 8%  | (2,271)                         | 9,659                           |
| Developer contributions-in-kind   | 52,200         | 3%  | 91,883         | 6%  | 72,225         | 5%  | 39,683                          | 19,658                          |
|   | 185,392        |     | 222,804        |     | 193,487        |     | 37,412                          | 29,317                          |
|   | \$1,575,940    |     | \$1,619,258    |     | \$1,497,141    |     | \$ 43,318                       | \$ 122,117                      |

Revenues were higher in 2013 over 2012 by \$122.1 million due to several factors. One of the major reasons was increased taxation revenues. Included in taxation revenues are municipal realty taxes, which increased by \$21.1 million year-over-year due to assessment roll growth and a 3.9% increase in property tax rates.

In 2013, the City adopted a new accounting standard, PS 3510 Tax Revenue. In doing so, for the first time, the City recognized as tax revenue accruals for local improvements and property taxes not billed but owing. This accounting policy change was recognized retroactively with an adjustment of \$12.7 million which was made to opening accumulated surplus.

Sales of services and regulatory fees rose over the prior year due to a \$5.8 million increase reported in water and sewer sales resulting from increased rates. The Transit System realized \$5.6 million more in revenue mostly related to a 1.3% increase in revenue-generating passengers. Regular cash fares also increased by five cents. Solid Waste Disposal also experienced \$6.7 million more revenue than the prior year, mostly related to the full year collection of the waste diversion user fee.

The increased investment, land sales and other revenues can be primarily attributed to more land sales concluding than expected.

Developer contributions-in-kind exceeded budget and the prior year mainly because of continuing land development.

Government transfers related to tangible capital assets increased in 2013, mainly because of the funding provided to The Convention Centre Corporation for the expansion of the RBC Convention Centre.

This year, the new PS 3410 Government Transfers applied to the City. The Public Service undertook a comprehensive review of its agreements and processes concerning transfers made and received, concluding that there were no significant accounting implications associated with this updated accounting recommendation.

| Consolidated Expenses<br>For the years ended December 31<br>(in thousands of dollars) | Budget<br>2013 |     | Actual<br>2013 |     | Actual<br>2012 |     | Budget to<br>Actual<br>Variance | Actual to<br>Actual<br>Variance |
|---|----------------|-----|----------------|-----|----------------|-----|---------------------------------|---------------------------------|
| Protection and community services   | \$ 442,962     | 31% | \$ 437,970     | 32% | \$ 416,265     | 32% | \$ 4,992                        | \$ 21,705                       |
| Utility operations  | 367,386        | 26% | 347,652        | 26% | 338,028        | 26% | 19,734                          | 9,624                           |
| Public works  | 287,099        | 20% | 312,680        | 22% | 283,042        | 22% | (25,581)                        | 29,638                          |
| Property and development  | 138,885        | 10% | 131,994        | 8%  | 105,685        | 8%  | 6,891                           | 26,309                          |
| Finance and administration  | 74,683         | 5%  | 72,926         | 5%  | 71,390         | 5%  | 1,757                           | 1,536                           |
| Civic corporations  | 63,868         | 5%  | 54,783         | 4%  | 51,518         | 4%  | 9,085                           | 3,265                           |
| General government  | 43,108         | 3%  | 38,795         | 3%  | 33,795         | 3%  | 4,313                           | 5,000                           |
|   | \$1,417,991    |     | \$1,396,800    |     | \$1,299,723    |     | \$ 21,191                       | \$ 97,077                       |

Consolidated expenses grew by \$97.1 million or 7.5% from the previous year and was \$21.1 million under budget. The protection and community services expense category includes the Police Service, Fire Paramedic Service, Community Services and Museums. The Police Service and Fire Paramedic Service departments reported additional salaries and employee benefits over the previous year.

The utility operations' expenses were \$19.7 million less than budgeted. One of the reasons for this is that costs in some of the Sewage Disposal System Fund's programs such as the "Basement Flooding Protection Subsidy Program" and landfill tipping fees were lower than expected. As well, the utilities were under budget on their salaries and benefits expense.

Public works experienced higher snow clearing and ice control costs compared to budget and the prior year's results.

Property and development expenses increased over the prior year mostly due to grants made in support of Investors Group Field and the Active Living Centre on the University of Manitoba Campus, as well as the Homelessness Partnership Strategy.

#### Consolidated Expenses By Object For the years ended December 31 (in thousands of dollars)

|                       | 2013        |     | 2012        |     | Variance  |
|-----------------------|-------------|-----|-------------|-----|-----------|
| Salaries and benefits | \$ 730,133  | 52% | \$ 695,849  | 54% | \$ 34,284 |
| Goods and services    | 376,614     | 27% | 344,217     | 26% | 32,397    |
| Amortization          | 198,106     | 14% | 188,432     | 15% | 9,674     |
| Interest              | 54,732      | 4%  | 53,587      | 4%  | 1,145     |
| Other expenses        | 37,215      | 3%  | 17,638      | 1%  | 19,577    |
|                       | \$1,396,800 |     | \$1,299,723 |     | \$ 97,077 |

Increases in salaries and benefits expense resulted primarily from a greater number of police officers and cadets added to the service, negotiated pay increases and increased contributions for pension benefits. Other expenses are higher for various reasons including increased grants paid to community groups in 2013.

Goods and services expenses increased over the prior year largely due to increased costs related to snow clearing and ice control.



## **Risks and Risk Mitigation**

### **Comprehensive Asset Management**

The City faces a very significant infrastructure deficit to address infrastructure needs relating to roads, sidewalks, transit, buildings and parks, that will require \$7.4 billion of investment over the next 10 years. To assist in addressing this issue the City is utilizing the aforementioned dedicated property taxes for local and regional roads (1% each). As well, the City has committed to comprehensive asset management as a key initiative to help address challenges associated with infrastructure maintenance and development and to set the stage to improve performance and organizational sustainability.

Asset management can be defined as an integrated optimization process of managing infrastructure assets to minimize the total cost of owning them, while continuously delivering the service levels customers desire at an acceptable level of risk. As well, the City has implemented processes that will result in better matching of approved capital budgets to the actual cash flows. Existing capital projects are regularly reviewed throughout the year to determine whether any surplus capital funds are available for other capital project purposes, or to minimize the impact on future capital program budgets.

### **Capital Project Management**

One of the major functions of the City is the delivery on capital investments. This past year alone the City invested \$0.5 billion in tangible capital assets, rehabilitating and investing in new assets such as roads, bridges and buildings. Tangible capital assets serve as key components to service delivery. While there have been recent examples of excellent project management in the delivery of major projects such as Phase 1 of the Southwest Transit Corridor, Chief Peguis Trail Extension and Disraeli Bridges, there have been challenges on others, for example the Fire Paramedic Stations Construction Project. The City understands the value derived from strong project management and has been working diligently to mitigate against capital project delivery problems associated with time, budget and scope.

- The Public Service has been vigilant in the establishment of Major Capital Project Steering Committees who ensure project risks are being appropriately identified and addressed. As well, regular reporting to the Standing Policy Committee on Finance enhances public transparency.
- The City is transitioning to a system where all capital budget submissions for projects greater than \$100,000 requires a supporting business case that can be challenged on the basis of need (level of service and risk), assumptions and recommended solutions.
- During the course of the year, City Council requested the external review of the Fire Paramedic Stations Construction Project. The review provided a series of recommendations, approved by City Council. The Public Service has developed an implementation plan which includes periodic reporting to City Council.
- A comprehensive Project Management manual is in the process of being finalized for implementation in 2014. This manual has been a high priority for the City, involving external consultants and City staff across the City in its development.

## Financial Management Plan

Continued sustainability was addressed in the updated Financial Management Plan (the "Plan") adopted by City Council on March 23, 2011. The Plan outlines the City's strategy for guiding financial decision-making, meeting long-term obligations and improving its economic position and financial stability. It sets forth guidelines upon which current and future financial performance can be measured. One of the eight targets included in the Plan is a manageable level of debt. Thus, a review of the City's forecasted net debt and debt servicing costs, including the financial implications of service concession arrangements, was conducted. This review established a prudent level of debt to support the City's capital infrastructure program, while maintaining an appropriate credit rating, long-term financial flexibility and sustainability.

## Debt Strategy

To help manage debt responsibly and transparently, on June 22, 2011, City Council approved a debt strategy for the City. The following table provides the City Council-approved limits, the debt metrics as at December 31, 2013, and the forecasted peak based on the City Council-approved borrowing and 2014 Capital Budget and Five-Year Forecast:

| Debt Metrics                     | Maximum | As At<br>December 31, 2013 | Forecasted<br>Peak |
|----------------------------------|---------|----------------------------|--------------------|
| Debt as a % of revenue           |         |                            |                    |
| City                             | 85.0%   | 45.5%                      | 69.4%              |
| Tax-supported and other funds    | 60.0%   | 46.4%                      | 56.2%              |
| Self-supporting utilities        | 220.0%  | 55.4%                      | 155.4%             |
| Debt-servicing as a % of revenue |         |                            |                    |
| City                             | 11.0%   | 7.0%                       | 7.0%               |
| Tax-supported and other funds    | 10.0%   | 6.6%                       | 6.6%               |
| Self-supporting utilities        | 20.0%   | 9.9%                       | 12.6%              |
| Debt per capita                  |         |                            |                    |
| City                             | \$2,050 | \$1,107                    | \$1,825            |
| Tax-supported and other funds    | \$1,050 | \$842                      | \$1,047            |
| Self-supporting utilities        | \$950   | \$226                      | \$713              |

Note: "City" includes "tax-supported and other funds", "Self-supporting utilities" and consolidated entities; "Tax-supported and other funds" includes Municipal Accommodations, Transit System and Fleet Management; and "Self-supporting utilities" includes Waterworks System, Sewage Disposal System and Solid Waste Disposal. "Forecasted Peak" does not account for the implications of consolidated accounting entries.

Amendments to the debt strategy are currently being reviewed by the Public Service for City Council's consideration.

## Employee Benefit Programs

The City provides pension, group life insurance, sick leave and severance pay benefit plans for qualified employees. The cost of these employee benefits is actuarially determined each year. These calculations use management's best estimate of a number of assumptions including the long-term rate of investment return on plan assets, inflation, salary escalation, the discount rate used to value liabilities and certain employee-related factors such as turnover, sick leave utilization, retirement age and mortality. Management

applies judgment in the selection of these assumptions based on past experience and on forecasts of future economic and investment conditions. As these assumptions relate to factors that are long-term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as revisions to the assumptions resulting from changes in future expectations, may lead to adjustments to the City's pension, sick leave and severance pay benefits expense reported in future financial statements.

The City has two major plans - The Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan. The Winnipeg Civic Employees' Benefits Program has similar characteristics to a defined contribution pension plan in that it is a multi-employer benefits program governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. This structure limits the City's exposure to future unfunded liabilities.

Until recently the Winnipeg Civic Employees' Benefits Program's special-purpose reserves have been used to subsidize the cost of benefits. Since the inception of the Program, it has been recognized that these reserves would gradually diminish over time as they were drawn down, unless they were able to be replenished through actuarial surpluses generated by "excess" investment returns. In part due to the 2008 market downturn, the Program's reserve position is currently insufficient to continue to subsidize the cost of benefits on a sustainable basis.

A multi-faceted approach was approved consisting of increased employer and employee contributions and benefit adjustments, while considering forecasted investment returns and reserve balances. Contribution rate increases of one-half per cent each year for four years were approved, commencing September 1, 2011 to an average of 10% of pensionable earnings for each of the participating employers and contributing plan members. The increases in 2012 to 2014 are effective January 1st.

The future service cost of the Winnipeg Civic Employees' Benefits Program in 2013 was 21.3% of pensionable earnings.

The Winnipeg Police Pension Plan (the "Plan") is a defined benefit plan to which the members contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2013 the market value of this pension fund's assets was \$1,120.2 million (2012 - \$953.3 million), which is \$72.5 million more (2012 - \$27.1 million less) than the accrued pension obligation.

The cost of benefits accruing under this Plan represent 23.1% of pensionable earnings, of which the employees' contribute 8% of earnings. In accordance with Provincial pension legislation, the Plan's Contribution Stabilization Reserve can be used to reduce the City's contributions to match the employees' contributions if this reserve is in excess of 5% of the Plan's solvency liabilities. The balance in the Contribution Stabilization Reserve has been below this threshold since May 2012. Therefore, the City is contributing the balance of the cost - that is, 15.1% of pensionable earnings.

An actuarial valuation of the Plan as of December 31, 2013 is to be prepared and filed with the Pension Commission of Manitoba in 2014. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. It is anticipated that the actuarial valuation will show that the Plan has a solvency deficiency at December 31, 2013 under this wind-up scenario. This deficiency would need to be addressed over the next five years by the City, either through an increase in contributions starting in 2014, or by obtaining a letter of credit with face value equal to the value of additional contributions cumulatively required. City Council has previously approved the letter of credit option and has obtained a letter of credit for \$39.7 million with respect to the December 2012 valuation. To the extent that the current letter of credit exceeds the revised and updated

funding requirements, the face value of the letter of credit may be reduced.

The City's group life insurance plan ("GLIP") was established in 1975 and is comprised of two separate plans; the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan. The GLIP historically treated its income as non-taxable since the net assets were considered to be an extension of the City's government. However, as a result of enquiries from one of the GLIP's investment managers seeking confirmation of this, the City engaged a tax professional to review the tax status of the GLIP. The review determined the GLIP may not be tax exempt and the City then voluntarily approached the Canada Revenue Agency ("CRA") to discuss the issue. CRA informed the City that, in its view, the assets held in the two plans constitute trust funds and, therefore the income should be considered taxable. CRA granted the GLIP tax-exempt status until the end of December 2013. The City is reviewing restructuring options for the GLIP with its tax advisors and is in discussions with CRA with a view to maintaining the GLIP's tax-exempt status.

## Environmental Matters

The City's water distribution and treatment system is governed by a license issued under The Drinking Water Safety Act and the sewage treatment plants are governed by licenses issued under The Environment Act.

The 2005 to 2013 capital budgets for the utilities and their 2014 to 2018 capital forecasts anticipate \$776.0 million of future debt to fund projects mandated by the Province. During 2003, at the request of the Minister of Conservation, the Clean Environment Commission ("CEC") conducted public hearings to receive and review comments on the City's wastewater collection and treatment improvement program. The CEC made several recommendations to upgrade and improve the wastewater collection and treatment systems, which were subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licences to the City for the North End, West End, and South End Sewage Treatment Plants. In 2011 "The Save Lake Winnipeg Act" (Bill 46) was passed, which further enforces limits and imposes treatment options for the North End Sewage Treatment Plant. In 2013, an additional licence was issued under the Environment Act which governs combined sewers and overflow structures. With this direction, a wastewater upgrade program is underway, which will address nutrient control, combined sewer overflow mitigation and biosolids management. Based on preliminary assessments, the upgrade program is estimated to cost between \$1.2 to \$1.8 billion, depending on market factors and interpretation of the compliance requirements.

The City of Winnipeg operates one landfill, the Brady Road Landfill Site, and maintains and monitors several former landfill sites. The City estimates costs associated with future landfill closure and post-closure care requirements in the determination of its environmental liability. In estimating future landfill closure costs, management has estimated the total cost to cover, landscape and maintain the site based upon remaining life and capacity. The liability is measured on a discounted basis using the City's average, risk adjusted, long-term, borrowing rate.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve (which had a balance of \$67.3 million at December 31, 2013), the Canada Strategic Infrastructure Fund, the Green Infrastructure Fund and accumulated surplus.

## Labour Negotiations

For the year ended December 31, 2013, 52% (2012 - 54%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,143, the majority being represented by the eight unions and associations noted as follows:

| Union/Association             | Average Annual Headcount | Agreement Expiry Date |
|-------------------------------|--------------------------|-----------------------|
| ATU                           | 1,360                    | January 17, 2015      |
| CUPE                          | 4,620                    | December 27, 2014     |
| MGEU                          | 328                      | February 13, 2014     |
| UFFW                          | 917                      | December 24, 2016     |
| WAPSO                         | 643                      | October 11, 2015      |
| WFPSOA                        | 45                       | August 23, 2014       |
| WPA                           | 1,962                    | December 23, 2016     |
| WPSOA                         | 35                       | December 19, 2012     |
| Other (non-union/association) | 233                      | Not applicable        |

ATU - Amalgamated Transit Union Local 1505; CUPE - Canadian Union of Public Employees Local 500; MGEU - Manitoba Government and General Employees' Union The Paramedics of Winnipeg Local 911; UFFW - United Fire Fighters of Winnipeg Local 867; WAPSO - Winnipeg Association of Public Service Officers; WFPSOA - Winnipeg Fire Paramedic Senior Officers' Association; WPA - Winnipeg Police Association; and WPSOA - Winnipeg Police Senior Officers' Association

The collective agreements provide a process to revise wage and employee benefit levels through negotiations. In addition, collective bargaining disputes with certain of the bargaining units are resolved through compulsory arbitration at the request of either or both parties.

## Corporate Risk Management Division

The City has a separate Risk Management Division reporting to the Chief Financial Officer. This division provides service designed to protect the City's assets. This is achieved by reducing exposure to losses through risk control measures. Working with City departments and SOA's, this division strengthens the City's long-term financial performance through the development and provision of a solid framework of risk management and loss control techniques based on an informed balance of risk and cost. Understanding the risks allows the City to measure and prioritize them, supporting appropriate actions to reduce losses.

## Financial Accountability

### Audit Department

The City's Audit Department plays a key role in providing independent assurance regarding the performance of civic services in support of open, transparent and accountable government. In the fall of 2012, the Audit Department was requested to manage operational reviews of the Public Works Department and the Winnipeg Police Service. In October 2013 the Operational Review of The Public Works Department was reported to City Council and in November 2013 the Operational Review of the Winnipeg Police Service was reported to the Winnipeg Police Board. Also in October 2013, an external firm hired by the Audit Department, reported on the Review of the Fire Paramedic Stations Construction Project to City Council.

During 2013, the Audit Department also completed and reported on performance audits of Non-Monetary Real Estate Grants, a Safety Review of the City of Winnipeg Aquatics Services, and Winnipeg Police Service Civilianization. All of these reports can be found on the City's website.

In 2013, accessibility to the City's Fraud and Waste Hotline was expanded to include access to citizens. This initiative reflects the City's proactive efforts to ensure and demonstrate its commitment to corporate accountability, transparency, responsibility, and sound and ethical operating practices. It supports a high level of integrity of City employees in the workplace, and also protects City property, resources and information. The Hotline is a confidential and anonymous service that accepts reports 24 hours a day, 7 days a week.

A number of significant reviews from 2013 are in progress including additional follow-up reviews on the Fire Paramedic Stations Construction Project and a review of the City's management of real estate.

## **Budget Process**

Prepared by the Public Service for consideration by City Council, budgets are used extensively throughout the City. Each year, both an operating and a capital budget are approved by City Council. Both budgets contain multi-year views. The capital budget includes six years of budget information, including the current-year adopted budget and five forecast years. The operating contains three years of budget information, including the current-year adopted budget and two forecast years. The 2014 budget includes a 2013 consolidated budget that is prepared on the same basis as the consolidated financial statements.

The budget process provides opportunity for public input. Executive Policy Committee ("EPC"), which is a committee of City Council, is responsible for budget development. The Preliminary 2013 - 2015 Operating Budget and the 2013 Preliminary Capital Budget and 2014 - 2018 Five-Year Forecast were tabled at a meeting of EPC on January 9, 2013. This was the first time both budgets were tabled together. The combined tabling of the budget documents allows for better integration and streamlining of the budget process. It also facilitates an earlier adoption of the operating budget.

In 2013, the City engaged MNP to conduct public consultation with a view to helping shape the direction of the City's 2014 budget. The consultation process provided many ways for citizens to have their say including public forums, workshop sessions, on-line survey, written submissions and feedback through social media, such as Twitter.

## **Looking Forward**

### **2014 Operating and Capital Budgets**

On December 17, 2013, City Council adopted both budgets for The City of Winnipeg – the 2014 capital and operating budget. In addition, the 2015-2019 capital forecast was approved in principle and the 2015 and 2016 operating projections were received as the preliminary financial plan for those years.

The 2014 capital budget and the 2015 to 2019 five-year forecast authorizes over \$2.7 billion in City capital projects, with \$379.5 million earmarked in 2014. Some of the projects included in the 2014 capital budget are \$84.2 million for regional and local streets renewal including an additional \$10 million in Polo Park Area Infrastructure Improvements; investments in Parks and Recreation, including \$1 million for active transportation corridors, \$1 million for reforestation improvements and \$1 million for athletic fields improvements; and a new parks and recreation enhancement program including \$6.3 million in funding. Section 284(2) of The City of Winnipeg Charter requires that before December 31st of each fiscal year, City Council must adopt a capital budget for that year and a capital forecast for the next five fiscal years.

The 2014 operating budget includes a 1.0% property tax increase dedicated to establish a new reserve named the Regional Street Renewal Reserve, and continues a 1.0% increase dedicated to the Local Street Renewal Fund. As well, a 0.95% property tax increase was approved to address inflationary pressures and increased service costs. The 2014 budget plan also includes the continuation of the small business tax credit program to provide a full municipal business tax rebate for 41% of all businesses. The budget remains focused on the continuing priorities of public safety and city streets. Section 284(1) of The City of Winnipeg Charter requires City Council to approve the budget before March 31st of each fiscal year.

In 2014, the City engaged Dialogue Partners to lead its budget consultation process. "Our Budget Forward" will provide several means for citizens to give their input into the 2015 budget.

#### General Revenue Fund - Budget

For the years ended December 31

| (in thousands of dollars)          | 2014       | 2013       | 2012       | 2011       | 2010       |
|------------------------------------|------------|------------|------------|------------|------------|
| <b>Revenues</b>                    |            |            |            |            |            |
| Property tax                       | \$ 510,569 | \$ 482,885 | \$ 459,564 | \$ 435,934 | \$ 431,113 |
| Government transfers               | 113,763    | 113,050    | 113,265    | 106,106    | 102,768    |
| Sale of goods and services         | 64,486     | 67,788     | 62,761     | 58,146     | 76,142     |
| Street renewal frontage levy       | 67,121     | 63,363     | 70,072     | 71,726     | 63,198     |
| Business tax                       | 59,688     | 58,371     | 57,584     | 57,584     | 57,584     |
| Transfer from other funds          | 56,787     | 46,586     | 52,309     | 38,203     | 40,631     |
| Regulation fees                    | 43,227     | 40,852     | 37,634     | 36,540     | 35,385     |
| Interest                           | 11,228     | 11,432     | 11,394     | 9,245      | 10,142     |
| Other                              | 42,315     | 38,345     | 35,377     | 33,840     | 723        |
|                                    | 969,184    | 922,672    | 899,960    | 847,324    | 817,686    |
| <b>Expenses</b>                    |            |            |            |            |            |
| Police service                     | 259,113    | 242,548    | 220,184    | 202,173    | 189,909    |
| Public works                       | 187,638    | 181,976    | 169,043    | 170,157    | 161,509    |
| Fire paramedic service             | 167,801    | 167,888    | 154,750    | 143,013    | 137,648    |
| Community services                 | 122,838    | 111,691    | 112,793    | 100,479    | 103,479    |
| Corporate                          | 60,284     | 48,825     | 59,166     | 63,891     | 59,437     |
| Planning, property and development | 40,554     | 42,064     | 41,221     | 38,353     | 38,791     |
| Water and waste                    | 31,110     | 33,703     | 44,052     | 34,695     | 33,823     |
| Corporate support services         | 33,038     | 31,147     | 31,312     | 30,899     | 33,079     |
| Assessment and taxation            | 19,623     | 18,209     | 25,572     | 23,841     | 22,565     |
| Street lighting                    | 11,970     | 11,618     | 11,100     | 10,685     | 10,854     |
| City clerk's                       | 13,465     | 10,930     | 10,897     | 10,316     | 11,913     |
| Corporate finance                  | 9,310      | 9,412      | 8,547      | 8,074      | 7,543      |
| Other departments                  | 12,440     | 12,661     | 11,323     | 10,748     | 7,136      |
|                                    | 969,184    | 922,672    | 899,960    | 847,324    | 817,686    |
|                                    | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |

Prior year figures have not been reclassified to conform with the 2014 figures.



## Accounting Pronouncements

In 2010 and 2011, PSAB issued several pronouncements which may impact the City's future financial statements. The pronouncements that the City is currently reviewing to determine their impact on the Statements are as follows:

- In March 2010, PSAB approved Section PS 3260, Liability for Contaminated Sites for fiscal years on or after April 1, 2014. The objective of this accounting standard addresses when these obligations meet the definition of a liability; recognition and measurement criteria; and any unique disclosure requirements.
- In March 2011, PSAB approved two new standards, Section PS 3450, Financial Instruments and Section PS 2601, Foreign Currency Translation, and related financial statement presentation changes to Financial Statement Presentation, Sections PS 1200 and 1201. Both standards must be adopted in the same fiscal period. The new standards are effective for fiscal years beginning on or after April 1, 2015.

## Request for Information

The Financial Statement Discussion and Analysis and the Statements are designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances, and to show accountability for the funding it receives. Both the Annual Financial Report and the Detailed Financial Statements Document are available on-line at [www.winnipeg.ca](http://www.winnipeg.ca). Questions concerning the information provided in these reports should be addressed to Paul D. Olafson, CA - Corporate Controller, Corporate Finance Department, 4-510 Main Street, Winnipeg, Manitoba, R3B 1B9.



Michael Ruta, FCA  
Chief Financial Officer

## RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian public sector accounting standards.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to City Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Audit Committee is readily accessible to external and internal auditors.

KPMG LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of City Council and appears on the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.



Michael Ruta, FCA  
Chief Financial Officer  
May 14, 2014



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## INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of City Council of The City of Winnipeg

We have audited the accompanying consolidated financial statements of The City of Winnipeg ("the City"), which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The City of Winnipeg as at December 31, 2013, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Accountants

May 14, 2014

Winnipeg, Canada

# THE CITY OF WINNIPEG

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

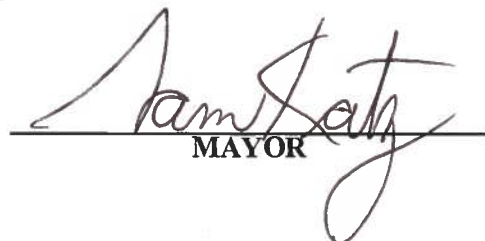
*As at December 31*  
*(in thousands of dollars)*

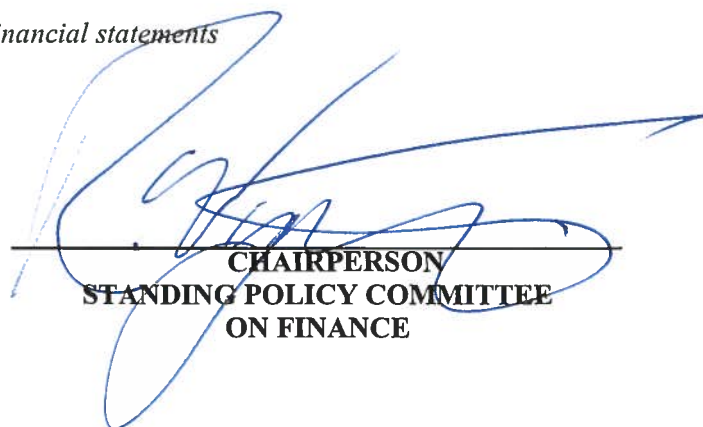
|   | 2013                | 2012                |
|---|---------------------|---------------------|
| <b>FINANCIAL ASSETS</b>                           |                     |                     |
| Cash and cash equivalents (Note 3)                | \$ 329,661          | \$ 392,041          |
| Accounts receivable (Note 4)                      | 260,602             | 208,579             |
| Land held for resale                              | 14,689              | 13,664              |
| Investments (Note 5)                              | 306,816             | 303,849             |
| Investment in government businesses (Note 6)      | 35,812              | 31,446              |
|   | <u>947,580</u>      | <u>949,579</u>      |
| <b>LIABILITIES</b>                                |                     |                     |
| Accounts payable and accrued liabilities (Note 7) | 263,681             | 205,789             |
| Deferred revenue (Note 8)                         | 61,101              | 55,079              |
| Debt (Note 9)                                     | 800,396             | 793,161             |
| Other liabilities (Note 10)                       | 57,148              | 56,990              |
| Accrued employee benefits and other (Note 11)     | 176,317             | 164,165             |
|   | <u>1,358,643</u>    | <u>1,275,184</u>    |
| <b>NET FINANCIAL LIABILITIES</b>                  | <u>(411,063)</u>    | <u>(325,605)</u>    |
| <b>NON-FINANCIAL ASSETS</b>                       |                     |                     |
| Tangible capital assets (Note 13)                 | 5,537,163           | 5,203,625           |
| Inventories                                       | 16,365              | 15,977              |
| Prepaid expenses and deferred charges             | 5,198               | 18,511              |
|   | <u>5,558,726</u>    | <u>5,238,113</u>    |
| <b>ACCUMULATED SURPLUS (Note 14)</b>              | <u>\$ 5,147,663</u> | <u>\$ 4,912,508</u> |

Commitments and contingencies (Notes 10, 15 and 16)

*See accompanying notes and schedules to the consolidated financial statements*

Approved on behalf of the Audit Committee:

  
 MAYOR

  
 CHAIRPERSON  
 STANDING POLICY COMMITTEE  
 ON FINANCE

# THE CITY OF WINNIPEG

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31  
(in thousands of dollars)

|  | Budget<br>2013<br>(Note 23) | Actual<br>2013      | Actual<br>2012      |
|--|-----------------------------|---------------------|---------------------|
| <b>REVENUES</b>  |                             |                     |                     |
| Taxation (Note 16)   | \$ 603,944                  | \$ 611,813          | \$ 587,578          |
| Sales of services and regulatory fees (Note 17)              | 512,215                     | 507,869             | 483,339             |
| Government transfers (Note 18)                               | 162,272                     | 161,337             | 158,975             |
| Investment income  | 37,741                      | 37,914              | 40,865              |
| Land sales and other revenue (Note 6)                        | 74,376                      | 77,521              | 32,897              |
| Total Revenues   | <u>1,390,548</u>            | <u>1,396,454</u>    | <u>1,303,654</u>    |
| <b>EXPENSES</b>  |                             |                     |                     |
| Protection and community services                            | 442,962                     | 437,970             | 416,265             |
| Utility operations   | 367,386                     | 347,652             | 338,028             |
| Public works   | 287,099                     | 312,680             | 283,042             |
| Property and development                                     | 138,885                     | 131,994             | 105,685             |
| Finance and administration                                   | 74,683                      | 72,926              | 71,390              |
| Civic corporations   | 63,868                      | 54,783              | 51,518              |
| General government   | 43,108                      | 38,795              | 33,795              |
| Total Expenses (Note 19)                                     | <u>1,417,991</u>            | <u>1,396,800</u>    | <u>1,299,723</u>    |
| Annual Surplus (Deficit) Before Other                        | <u>(27,443)</u>             | <u>(346)</u>        | <u>3,931</u>        |
| <b>OTHER</b>   |                             |                     |                     |
| Government transfers related to capital (Note 18)            | 133,192                     | 130,921             | 121,262             |
| Developer contributions-in-kind related to capital (Note 13) | 52,200                      | 91,883              | 72,225              |
|  | <u>185,392</u>              | <u>222,804</u>      | <u>193,487</u>      |
| Annual Surplus   | <u>\$ 157,949</u>           | <u>222,458</u>      | <u>197,418</u>      |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>                |                             |                     |                     |
| As previously reported                                       |                             | 4,912,508           | 4,715,090           |
| Change in accounting policy (Note 2p) ii))                   |                             | <u>12,697</u>       | <u>-</u>            |
| As restated  |                             | <u>4,925,205</u>    | <u>4,715,090</u>    |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                      |                             | <u>\$ 5,147,663</u> | <u>\$ 4,912,508</u> |

See accompanying notes and schedules to the consolidated financial statements

# THE CITY OF WINNIPEG

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31  
(in thousands of dollars)

|  | <u>2013</u>              | <u>2012</u>              |
|--|--------------------------|--------------------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b> |                          |                          |
| <b>OPERATING</b>   |                          |                          |
| Annual surplus   | \$ 222,458               | \$ 197,418               |
| Non-cash charges to operations   |                          |                          |
| Amortization   | 198,106                  | 188,432                  |
| Developer contributions-in-kind related to capital                       | (91,883)                 | (72,225)                 |
| Other  | 9,251                    | 9,862                    |
|  | <u>337,932</u>           | <u>323,487</u>           |
| Net change in non-cash working capital balances related to operations    | 36,488                   | (14,205)                 |
| Cash provided by operating activities                                    | <u>374,420</u>           | <u>309,282</u>           |
| <b>CAPITAL</b>   |                          |                          |
| Acquisition of tangible capital assets                                   | (452,055)                | (581,768)                |
| Proceeds on disposal of tangible capital assets                          | 11,821                   | 4,462                    |
| Cash used in capital activities  | <u>(440,234)</u>         | <u>(577,306)</u>         |
| <b>FINANCING</b>   |                          |                          |
| Decrease (increase) in sinking fund investments                          | 68,800                   | (21,509)                 |
| Debenture and serial debt retired  | (112,450)                | (21,448)                 |
| Sinking fund and serial debenture issued                                 | 60,000                   | 137,784                  |
| Service concession arrangements (retired) financed                       | (1,415)                  | 109,362                  |
| Other  | (7,700)                  | 32,820                   |
| Cash provided by financing activities                                    | <u>7,235</u>             | <u>237,009</u>           |
| <b>INVESTING</b>   |                          |                          |
| Increase of investments  | <u>(3,801)</u>           | <u>(14,290)</u>          |
| Cash used in investing activities  | <u>(3,801)</u>           | <u>(14,290)</u>          |
| Decrease in cash and cash equivalents                                    | (62,380)                 | (45,305)                 |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                      | <u>392,041</u>           | <u>437,346</u>           |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                            | <u><u>\$ 329,661</u></u> | <u><u>\$ 392,041</u></u> |

See accompanying notes and schedules to the consolidated financial statements



# THE CITY OF WINNIPEG

## CONSOLIDATED STATEMENT OF CHANGE IN

### NET FINANCIAL LIABILITIES

For the years ended December 31  
(in thousands of dollars)

|  | <b>Budget<br/>2013</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|--|------------------------|------------------------|------------------------|
|  | <u>(Note 23)</u>       |                        |                        |
| <b>ANNUAL SURPLUS</b>  | <b>\$ 157,949</b>      | <b>\$ 222,458</b>      | <b>\$ 197,418</b>      |
| Amortization of tangible capital assets                      | <b>195,368</b>         | <b>198,106</b>         | 188,432                |
| Proceeds on disposal of tangible capital assets              | <b>4,500</b>           | <b>11,821</b>          | 4,462                  |
| Loss on sale of tangible capital assets                      | <b>925</b>             | <b>473</b>             | 5,269                  |
| Change in inventories, prepaid expenses and deferred charges | <b>(3,500)</b>         | <b>12,925</b>          | (12,017)               |
| Tangible capital assets received as contributions            | <b>(52,200)</b>        | <b>(91,883)</b>        | (72,225)               |
| Acquisition of tangible capital assets                       | <b>(466,250)</b>       | <b>(452,055)</b>       | (581,768)              |
| <b>INCREASE IN NET FINANCIAL LIABILITIES</b>                 | <b>(163,208)</b>       | <b>(98,155)</b>        | <b>(270,429)</b>       |
| <b>NET FINANCIAL LIABILITIES,<br/>BEGINNING OF YEAR</b>      |                        |                        |                        |
| As previously reported                                       | <b>(325,605)</b>       | <b>(325,605)</b>       | (55,176)               |
| Change in accounting policy (Note 2p) ii))                   | <b>-</b>               | <b>12,697</b>          | -                      |
| As restated  | <b>(325,605)</b>       | <b>(312,908)</b>       | (55,176)               |
| <b>NET FINANCIAL LIABILITIES, END OF YEAR</b>                | <b>\$ (488,813)</b>    | <b>\$ (411,063)</b>    | <b>\$ (325,605)</b>    |

See accompanying notes and schedules to the consolidated financial statements

# THE CITY OF WINNIPEG

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

### 1. Status of The City of Winnipeg

The City of Winnipeg (the "City") is a municipality that was created on January 1, 1972 pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations. The City owns and operates a number of public utilities, has designated reserves and provides funding support for other entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

### 2. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

#### a) Basis of consolidation

The consolidated financial statements include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City except for the City's government businesses which are accounted for on the modified equity basis of accounting. Inter-fund and inter-corporate balances and transactions have been eliminated.

#### i) Consolidated entities

The organizations included in the consolidated financial statements are as follows:

|                                       |                                  |
|---------------------------------------|----------------------------------|
| Assiniboine Park Conservancy Inc.     | Winnipeg Arts Council Inc.       |
| CentreVenture Development Corporation | Winnipeg Enterprises Corporation |
| Economic Development Winnipeg Inc.    | Winnipeg Public Library Board    |
| The Convention Centre Corporation     |                                  |

#### ii) Government businesses

The investments in North Portage Development Corporation and River Park South Developments Inc. are reported as government business partnerships and Winnipeg Housing Rehabilitation Corporation as a government business enterprise. These businesses are accounted for using the modified equity method. Under this method, the government businesses' accounting principles are not adjusted to conform with those of the City and inter-corporate transactions are not eliminated (Note 6).

#### iii) Employees' pension funds

The employees' pension funds of the City are administered on behalf of the pension plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (the "EBB") (Pension Fund) for the payment of pension benefits and accordingly are not included in the consolidated financial statements.

## **2. Significant Accounting Policies (continued)**

### **iv) Group life insurance funds**

The group life insurance funds of the City are administered by the EBB for the payment of life insurance and accordingly are not included in the consolidated financial statements.

### **b) Basis of accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

### **c) Cash equivalents**

Cash equivalents consist of Crown corporation bonds; Canada treasury bills; provincial government bonds; City of Winnipeg municipal bonds; other municipal bonds; schedule 1 bank bonds and bankers' acceptances; schedule 2 bankers' acceptances; and asset-backed commercial paper. Cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable on demand.

### **d) Land held for resale**

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

### **e) Investments**

Bonds are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

### **f) Unamortized premium on debt**

Debt is reported at face value and is adjusted by premiums which are amortized on a straight-line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as interest expense.

### **g) Solid waste landfills**

The obligation to close and maintain solid waste landfill sites is based on estimated future expenses in current dollars, adjusted for estimated inflation, and is charged to expenses as the landfill site's capacity is used.

### **h) Environmental provisions**

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

## 2. Significant Accounting Policies (continued)

### i) Deferred revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the acquisition and construction of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

### j) Employee benefit plans

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other pensions and other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefit method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period.

In the case of the Winnipeg Police Pension Plan, this plan's by-law provides that, in the event of a funding surplus or deficiency, within certain prescribed constraints, the contribution stabilization reserve will be utilized and amendments made to the rate of cost-of-living adjustments to pensions according to specific rules set out in the by-law. Consequently, actuarial gains and losses are recognized immediately to the extent that they are offset by changes in the contribution stabilization reserve and changes in the plan's accrued benefit obligation for future cost-of-living adjustments to pensions.

### k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the consolidated change in net financial liabilities for the year.

#### i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

|   |                 |
|---|-----------------|
| Buildings                                 | 10 to 50 years  |
| Vehicles                                  |                 |
| Transit buses                             | 18 years        |
| Other vehicles                            | 5 to 10 years   |
| Computer hardware and software            | 5 to 10 years   |
| Other                                     |                 |
| Machinery and equipment                   | 10 years        |
| Land improvements                         | 10 to 30 years  |
| Water and waste plants and facilities     |                 |
| Underground networks                      | 50 to 100 years |
| Sewage treatment plants and lift stations | 50 to 75 years  |
| Water pumping stations and reservoirs     | 50 to 75 years  |
| Flood stations and other infrastructure   | 50 to 75 years  |

## 2. Significant Accounting Policies (continued)

|                              |                |
|------------------------------|----------------|
| Transportation               |                |
| Roads                        | 10 to 50 years |
| Bridges and other structures | 25 to 75 years |

Assets under construction are not amortized until the asset is available for productive use.

In certain circumstances, capital project work is charged an administration fee equal to 1% of specific costs of the project to a maximum of \$100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost funded by the City.

### a) Contributions of tangible capital assets

Developer-contributed tangible capital assets are recorded at their fair value at the date of receipt. The contribution is recorded as revenue.

### b) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

### c) Service concession arrangements

Service concession arrangements are long-term performance-based approaches for procuring public infrastructure, where the City contracts with a private sector partner who assumes a major share of the responsibility for the delivery of the infrastructure. The operator is compensated over the period of the arrangements. The arrangements are governed by a contract that sets out performance standards and mechanisms for adjusting prices. The contract is binding on the parties to the arrangement and obliges the operator to maintain the tangible capital asset on behalf of the City.

In the case of tangible capital assets, where the operator bears the construction risk, the timing of initial recognition of the service concession asset by the City will be when the tangible capital asset is available for productive use.

## ii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

## 1) Tax revenues

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the revenues, expenses, assets and liabilities with respect to the operations of the school boards.

## **2. Significant Accounting Policies (continued)**

Property taxation revenue is based on market assessments that are subject to appeal therefore, a provision has been estimated for assessment appeals outstanding as at December 31. As well, estimates have been made of property tax amounts owing for prior years that have not yet been assessed at the end of the current fiscal year. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material (Note 2n).

### **m) Government transfers**

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

### **n) Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions in such areas as employee benefits, the useful life of tangible capital assets, assessment appeals, lawsuits and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

### **o) Budget**

The 2013 budget is included on the consolidated statements of operations and accumulated surplus and change in net financial liabilities. The budget is compiled from the City Council-approved Operating Budget, estimates for controlled entities, adjustments to report the budget on a full accrual basis including capital revenue adjustments, assets capitalized on the statement of financial position, amortization of tangible capital assets and accruals for unfunded liabilities and administrative adjustments to provide for proper comparison to actual results presented herein.

### **p) Accounting Policy Changes**

#### **i) Government transfers**

The Public Sector Accounting Board issued an updated standard, PS 3410 Government Transfers. The new standard applies to the City for the fiscal year beginning January 1, 2013 and, as such, has been utilized for the preparation of these consolidated financial statements. Application of this standard has not resulted in any change to the opening balance of accumulated surplus.

#### **ii) Tax revenues**

The Public Sector Accounting Board also issued a new accounting standard, PS 3510 Tax Revenue. The new standard applies to the City for the fiscal year beginning January 1, 2013 and, as such, has been utilized for the preparation of these consolidated financial statements. As permitted, this standard has been applied retroactively with an adjustment to the opening balance of the accumulated surplus. The impacts are the first-time accrual for local improvements and for property taxes not billed but owing as of the end of the fiscal year.

### 3. *Cash and Cash Equivalents*

|                  | <b>2013</b>       | 2012       |
|------------------|-------------------|------------|
| Cash             | \$ 19,334         | \$ 11,894  |
| Cash equivalents | <b>310,327</b>    | 380,147    |
|                  | <b>\$ 329,661</b> | \$ 392,041 |

The average effective interest rate for cash equivalents at December 31, 2013 is 1.3% (2012 - 1.3%).

Cash and cash equivalents exclude \$315.5 million (2012 - \$109.7 million) which has been received from various entities including EBB. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is \$37.8 million (2012 - \$41.2 million).

### 4. *Accounts Receivable*

|   | <b>2013</b>       | 2012       |
|---|-------------------|------------|
| Property, payments-in-lieu and business taxes receivable          | \$ 49,592         | \$ 37,960  |
| Allowance for property, payments-in-lieu and business tax arrears | <b>(3,694)</b>    | (3,351)    |
|   | <b>45,898</b>     | 34,609     |
| Trade accounts and other receivables                              | <b>148,427</b>    | 110,503    |
| Province of Manitoba  | <b>60,623</b>     | 51,182     |
| Government of Canada  | <b>15,933</b>     | 21,280     |
| Allowance for doubtful accounts                                   | <b>(10,279)</b>   | (8,995)    |
|   | <b>214,704</b>    | 173,970    |
|   | <b>\$ 260,602</b> | \$ 208,579 |

### 5. *Investments*

|                                     | <b>2013</b>       | 2012       |
|-------------------------------------|-------------------|------------|
| Marketable securities               |                   |            |
| Provincial bonds and bond coupons   | \$ 5,750          | \$ 6,713   |
| Municipal bonds                     | <b>68,482</b>     | 75,726     |
|                                     | <b>74,232</b>     | 82,439     |
| Manitoba Hydro long-term receivable | <b>220,238</b>    | 220,238    |
| Other                               | <b>12,346</b>     | 1,172      |
|                                     | <b>\$ 306,816</b> | \$ 303,849 |

#### a) *Marketable securities*

The aggregate market value of marketable securities at December 31, 2013 is \$73.9 million (2012 - \$86.5 million) and their maturity dates range from 2014 to 2043.

#### b) *Manitoba Hydro long-term receivable*

On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. The terms of the proposal included payments to the City of \$25 million per annum commencing in 2002 and for the next four years thereafter; \$20 million per annum for years six through nine; and \$16 million per annum for years ten and continuing in perpetuity.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City, discounted at the City's historical average long-term borrowing rate.



## 6. *Investment in Government Businesses*

### a) **North Portage Development Corporation**

North Portage Development Corporation (the "NPDC") is a government partnership that is owned equally by the Government of Canada, the Province of Manitoba and The City of Winnipeg. The mission of NPDC is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. NPDC is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks. NPDC is involved in certain business and core activities regarding the ownership, development and management of its two sites that include land investment properties and public amenities.

The condensed supplementary financial information of NPDC is as follows:

|  | <b>2013</b>      | 2012             |
|--|------------------|------------------|
| Financial position   |                  |                  |
| Property, plant and equipment and investment in properties and infrastructure enhancements | \$ 71,248        | \$ 75,171        |
| Short-term investments   | 14,878           | 12,536           |
| Other assets   | 2,037            | 3,565            |
|  | <u>\$ 88,163</u> | <u>\$ 91,272</u> |
| Deferred contributions from shareholders   | \$ 15,961        | \$ 17,179        |
| Long-term mortgage payable   | 11,355           | 11,753           |
| Current and other liabilities  | 4,305            | 5,337            |
|  | 31,621           | 34,269           |
| Net equity   | 56,542           | 57,003           |
|  | <u>\$ 88,163</u> | <u>\$ 91,272</u> |
|  | <b>2013</b>      | 2012             |
| Comprehensive income   |                  |                  |
| Revenues   | \$ 10,826        | \$ 11,075        |
| Expenses   | 9,282            | 9,472            |
| Operating income before the following  | 1,544            | 1,603            |
| Interest expense   | (691)            | (718)            |
| Amortization   | (2,532)          | (2,381)          |
| Other  | 2,616            | 883              |
| Discontinued Operations  | (1,398)          | 0                |
| Net loss for the year  | <u>\$ (461)</u>  | <u>\$ (613)</u>  |

### b) **River Park South Developments Inc.**

On April 21, 2011, the City and Qualico Developments (Winnipeg) Ltd. entered into an agreement to jointly develop and sell residential land owned by the partners in the River Park South community of Winnipeg.

## 6. *Investment in Government Businesses (continued)*

The condensed supplementary financial information of River Park South Developments Inc. is as follows:

|                                       | 2013      | 2012      |
|---------------------------------------|-----------|-----------|
| Financial position                    |           |           |
| Assets                                | \$ 33,797 | \$ 27,004 |
| Liabilities and Equity                | \$ 33,797 | \$ 27,004 |
| Comprehensive income                  |           |           |
| Land sales                            | \$ 18,244 | \$ 19,212 |
| Cost of sales                         | 8,836     | 10,032    |
| Operating income before the following | 9,408     | 9,180     |
| Interest and other income             | 234       | 149       |
| Other expenses and adjustments        | (1,438)   | (1,359)   |
| Net income for the year               | \$ 8,204  | \$ 7,970  |

### c) **Winnipeg Housing Rehabilitation Corporation**

Winnipeg Housing Rehabilitation Corporation (the "WHRC") is a non-profit developer and manager of affordable housing in Winnipeg. WHRC was founded by the City. Pursuant to operating agreements, WHRC receives subsidies from Canada Mortgage and Housing Corporation and Manitoba Housing.

The condensed supplementary financial information of WHRC is as follows:

|                                       | 2013      | 2012      |
|---------------------------------------|-----------|-----------|
| Financial position                    |           |           |
| Capital assets                        | \$ 25,457 | \$ 26,925 |
| Current and other assets              | 7,258     | 6,505     |
|                                       | \$ 32,715 | \$ 33,430 |
| Long-term debt                        | \$ 23,150 | \$ 24,568 |
| Current and other liabilities         | 4,304     | 4,019     |
|                                       | 27,454    | 28,587    |
| Replacement Reserves                  | 4,377     | 4,011     |
| WHRC Building and Acquisition Reserve | 1,046     | 1,026     |
| Unrestricted deficit                  | (162)     | (194)     |
|                                       | 5,261     | 4,843     |
|                                       | \$ 32,715 | \$ 33,430 |

**6. Investment in Government Businesses (continued)**

|  | <b>2013</b>          | 2012                 |
|--|----------------------|----------------------|
| Results of operations  |                      |                      |
| Revenues   | \$ 7,784             | \$ 7,656             |
| Expenses   | <u>7,752</u>         | <u>7,568</u>         |
| Excess of revenues over expenses for the year                      | 32                   | 88                   |
| Change to Replacement Reserves during the year                     | 366                  | 231                  |
| Change to WHRC Building and<br>Acquisition Reserve during the year | <u>20</u>            | <u>33</u>            |
| Net income for the year  | <u><u>\$ 418</u></u> | <u><u>\$ 352</u></u> |

During the year, the City paid WHRC an operating grant of \$195 thousand (2012 - \$200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of \$2.0 million (2012 - \$2.0 million). As at March 31, 2013, WHRC has utilized \$167 thousand of this line of credit (2012 - \$585 thousand).

**Summary of investment in government businesses**

|   | <b>2013</b>             | 2012                    |
|---|-------------------------|-------------------------|
| North Portage Development Corporation (1/3 share) | \$ 18,847               | \$ 19,001               |
| River Park South Developments Inc. (1/2 share)    | 11,704                  | 7,602                   |
| Winnipeg Housing Rehabilitation Corporation       | <u>5,261</u>            | <u>4,843</u>            |
|   | <u><u>\$ 35,812</u></u> | <u><u>\$ 31,446</u></u> |

**Summary of results of operations**

|   | <b>2013</b>            | 2012                   |
|---|------------------------|------------------------|
| North Portage Development Corporation (1/3 share) | \$ (154)               | \$ (291)               |
| River Park South Developments Inc. (1/2 share)    | 4,102                  | 3,985                  |
| Winnipeg Housing Rehabilitation Corporation       | <u>418</u>             | <u>352</u>             |
|   | <u><u>\$ 4,366</u></u> | <u><u>\$ 4,046</u></u> |

The results of operations are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue. NPDC and WHRC report their activities based on a March 31 year-end.

**7. Accounts Payable and Accrued Liabilities**

|                          | <b>2013</b>              | 2012                     |
|--------------------------|--------------------------|--------------------------|
| Accrued liabilities      | \$ 137,466               | \$ 97,688                |
| Trade accounts payable   | 116,459                  | 94,843                   |
| Accrued interest payable | <u>9,756</u>             | <u>13,258</u>            |
|                          | <u><u>\$ 263,681</u></u> | <u><u>\$ 205,789</u></u> |

**8. Deferred Revenue**

|                          | <b>2013</b>             | 2012                    |
|--------------------------|-------------------------|-------------------------|
| Federal gas tax transfer | \$ 22,900               | \$ 28,924               |
| Province of Manitoba     | 21,997                  | 15,433                  |
| Other                    | <u>16,204</u>           | <u>10,722</u>           |
|                          | <u><u>\$ 61,101</u></u> | <u><u>\$ 55,079</u></u> |

## 9. Debt

### Sinking fund debentures outstanding

| Term   | Maturity Date | Rate of Interest | Series | By-Law No.                     | 2013             | 2012      |
|--|---------------|------------------|--------|--------------------------------|------------------|-----------|
| 1993-2013                                    | Feb. 11       | 9.375            | VN     | 6090/93                        | \$ -             | \$ 90,000 |
| 1994-2014                                    | Jan. 20       | 8.000            | VQ     | 6300/94                        | 85,000           | 85,000    |
| 1995-2015                                    | May 12        | 9.125            | VR     | 6620/95                        | 88,000           | 88,000    |
| 1997-2017                                    | Nov. 17       | 6.250            | VU     | 7000/97                        | 30,000           | 30,000    |
| 2006-2036                                    | July 17       | 5.200            | VZ     | 183/04,<br>and 72/06<br>72/06B | 60,000           | 60,000    |
| 2008-2036                                    | July 17       | 5.200            | VZ     | and 32/07                      | 100,000          | 100,000   |
| 2010-2041                                    | June 3        | 5.150            | WB     | 183/08<br>72/06, 183/08        | 60,000           | 60,000    |
| 2011-2051                                    | Nov. 15       | 4.300            | WC     | and 150/09                     | 50,000           | 50,000    |
| 2012-2051                                    | Nov. 15       | 3.853            | WC     | 93/11<br>120/09, 93/11         | 50,000           | 50,000    |
| 2012-2051                                    | Nov. 15       | 3.759            | WC     | and 138/11                     | 75,000           | 75,000    |
| 2013-2051                                    | Nov. 15       | 4.391            | WC     | 93/11 and<br>84/13             | 60,000           | -         |
|  |               |                  |        |                                | <b>658,000</b>   | 688,000   |
| Equity in The Sinking Funds (Notes 9a and b) |               |                  |        |                                | <b>(195,237)</b> | (264,037) |
| Net sinking fund debentures outstanding      |               |                  |        |                                | <b>462,763</b>   | 423,963   |

### Other debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.52% (2012 - 4.70%)

34,621 56,884

Bank loans, Province and other with varying maturities up to 2026 and a weighted average interest rate of 3.04% (2012 - 2.90%)

109,263 116,427

Capital lease obligations (Note 9c)

26,056 26,592

Service concession arrangement obligations (Notes 9d and 15d)

157,344 158,759

790,047 782,625

Unamortized premium on debt (Note 9e)

10,349 10,536

**\$ 800,396 \$ 793,161**

Debt segregated by fund/organization:

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| General Capital Fund                 | \$ 456,709        | \$ 430,019        |
| Waterworks System                    | 147,823           | 154,529           |
| Transit System                       | 87,872            | 91,180            |
| Special operating agencies and other | 84,394            | 86,525            |
| Solid Waste Disposal                 | 11,651            | 13,025            |
| Sewage Disposal System               | 1,598             | 7,347             |
|                                      | <b>\$ 790,047</b> | <b>\$ 782,625</b> |

## 9. Debt (continued)

Debt to be retired over the next five years:

|                         | 2014              | 2015              | 2016             | 2017             | 2018             | 2019+             |
|-------------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|
| Sinking fund debentures | \$ 85,000         | \$ 88,000         | \$ -             | \$ 30,000        | \$ -             | \$ 455,000        |
| Other debt              | 38,713            | 21,529            | 28,945           | 16,988           | 16,350           | 204,759           |
|                         | <u>\$ 123,713</u> | <u>\$ 109,529</u> | <u>\$ 28,945</u> | <u>\$ 46,988</u> | <u>\$ 16,350</u> | <u>\$ 659,759</u> |

- a) As at December 31, 2013, sinking fund assets have a market value of \$208.1 million (2012 - \$270.9 million). Sinking fund assets are mainly comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of \$28.3 million (2012 - \$28.1 million) and a market value of \$28.7 million (2012 - \$29.4 million).
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees of The City of Winnipeg on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed in a separate fund by the City. The City is currently paying between 1 to 3% on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) Future minimum lease payments together with the balance of the obligation due under the capital leases are as follows:

|  | Capital Leases   |
|--|------------------|
| 2014   | \$ 2,476         |
| 2015   | 2,476            |
| 2016   | 2,476            |
| 2017   | 2,502            |
| 2018   | 2,553            |
| Thereafter   | <u>35,026</u>    |
| Total future minimum lease payments                              | 47,509           |
| Amount representing interest at a weighted average rate of 8.18% | <u>(21,453)</u>  |
| Capital lease obligations  | <u>\$ 26,056</u> |

- d) Service concession arrangement obligations are as follows:

|   | 2013              | 2012              |
|---|-------------------|-------------------|
| DBF2 Limited Partnership - Chief Peguis Trail Extension | \$ 49,120         | \$ 49,577         |
| Plenary Roads Winnipeg GP - Disraeli Bridges            | <u>108,224</u>    | <u>109,182</u>    |
|   | <u>\$ 157,344</u> | <u>\$ 158,759</u> |

### Chief Peguis Trail Extension

The City has entered into a fixed-price contract with DBF2 Limited Partnership ("DBF2") to design, build, finance and maintain the Chief Peguis Trail Extension. The contract was executed in September 2010 and terminates in January 2042. The Chief Peguis Trail Extension was commissioned for use in 2011.

## 9. Debt (continued)

The \$108.5 million project will have been financed through a grant of \$23.9 million from PPP Canada, a Provincial government transfer of \$9.0 million, sinking fund debentures (Series WC) of \$18.7 million, a \$50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of \$6.9 million. As at December 31, 2013, \$105.1 million was capitalized (Note 13). Monthly capital and interest performance-based payments totalling \$4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the full \$108.5 million project is 4.6%. Specifically, the sinking fund debt and service concession arrangement obligation to DBF2 bear a combined weighted average interest rate of 7.2%.

The City will also make DBF2 a monthly performance-based maintenance payment as disclosed in Note 15d.

### Disraeli Bridges

The City has entered into a fixed-price contract with Plenary Roads Winnipeg GP ("PRW") to design, build, finance and maintain the Disraeli Bridges. The contract was executed in March 2010 and terminates in October 2042. The Disraeli Bridges were commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge following in 2013.

The \$195.0 million project will have been financed through sinking fund debentures (Series WC) of \$25.0 million, a \$109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of \$50.0 million, and cash consideration paid by the City of \$10.6 million. As at December 31, 2013, \$188.9 million was capitalized for commissioned works (Note 13). A total amount of \$19.5 million was capitalized for the pedestrian bridge and final roadwork completed in 2013. Monthly capital and interest performance-based payments totalling \$9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the \$195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.

The City will also make PRW a monthly performance-based maintenance payment as disclosed in Note 15d.

- e) Included in the Consolidated Statement of Financial Position are investments of \$12.5 million (2012 - \$12.8 million) that will be used for making semi-annual debt service payments on the sinking fund debentures issued in 2012.
- f) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2013 is \$54.7 million (2012 - \$53.6 million) and cash paid for interest during the year is \$58.2 million (2012 - \$53.8 million).

## 10. Other Liabilities

|                           | 2013             | 2012             |
|---------------------------|------------------|------------------|
| Environmental liabilities | \$ 27,127        | \$ 20,000        |
| Developer deposits        | 11,071           | 8,599            |
| Expropriation and other   | 18,950           | 28,391           |
|                           | <u>\$ 57,148</u> | <u>\$ 56,990</u> |

# **10. Other Liabilities (continued)**

Included in environmental liabilities is \$25.1 million (2012 - \$19.3 million) for the estimated total landfill closure and post-closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average, risk adjusted, long-term, borrowing rate of 6.0% (2012 - 6.0%).

Landfill closure and post-closure care requirements have been defined in accordance with The Environment Act and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 100-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated capacity of the City's one remaining landfill, the Brady Road Landfill Site, is 95% of its total capacity and its remaining life is approximately 95 years, after which perpetual post-closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Road Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2013, the reserve had a balance of \$5.0 million (2012 - \$4.6 million).

# **11. Accrued Employee Benefits and Other**

|   | <b>2013</b>       | <b>2012</b> |
|---|-------------------|-------------|
| Retirement allowance - accrued obligation | <b>\$ 94,702</b>  | \$ 94,554   |
| Unamortized net actuarial loss            | <b>(5,406)</b>    | (8,295)     |
| Retirement allowance - accrued liability  | <b>89,296</b>     | 86,259      |
| Vacation                                  | <b>48,159</b>     | 46,392      |
| Workers' compensation                     | <b>22,969</b>     | 16,963      |
| Compensated absences                      | <b>9,410</b>      | 8,568       |
| Other                                     | <b>6,483</b>      | 5,983       |
|   | <b>\$ 176,317</b> | \$ 164,165  |

Under the retirement allowance programs, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 13.0 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The City measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation of the obligation was calculated as of July 31, 2011. The results of this valuation were extrapolated to the financial reporting date of December 31, 2013 using year-end assumptions.



## 11. Accrued Employee Benefits and Other (continued)

Information about the City's retirement allowance benefit plan is as follows:

|  | 2013             | 2012             |
|--|------------------|------------------|
| Retirement allowance - accrued liability |                  |                  |
| Balance, beginning of year               | \$ 86,259        | \$ 83,851        |
| Current service cost                     | 5,309            | 5,130            |
| Interest cost                            | 3,465            | 3,471            |
| Amortization of net actuarial loss       | 1,513            | 1,745            |
| Benefit payments                         | (7,250)          | (7,938)          |
| Balance, end of year                     | <u>\$ 89,296</u> | <u>\$ 86,259</u> |

Retirement allowance expense consists of the following:

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Current service cost               | \$ 5,309         | \$ 5,130         |
| Interest cost                      | 3,465            | 3,471            |
| Amortization of net actuarial loss | 1,513            | 1,745            |
|                                    | <u>\$ 10,287</u> | <u>\$ 10,346</u> |

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

|                            |       |       |
|----------------------------|-------|-------|
| Discount rate on liability | 3.70% | 3.60% |
| General increases in pay   | 3.50% | 3.50% |

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

## 12. Pension Costs and Obligations

### a) Winnipeg Civic Employees' Benefits Program

The Winnipeg Civic Employees' Benefits Program is a multi-employer benefits program governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. Accordingly, the Program is accounted for similar to a defined contribution benefits program. The Program provides pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers.

During 2013, members contributed 9.0% of their Canada Pension Plan earnings and 11.2% of pensionable earnings in excess of Canada Pension Plan earnings. Members' contribution rates are scheduled to increase to 9.5% of their Canada Pension Plan earnings and 11.8% of pensionable earnings in excess of Canada Pension Plan earnings in 2014 and future years. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Program was prepared as at December 31, 2012, which indicated an excess of actuarial value of program assets over actuarial liabilities of \$115.6 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute actuarial surpluses to individual employers. However, a portion of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions. In the event of unfavourable financial experience, additional amounts may be transferred from the City Account to cover a funding deficiency.

## 12. Pension Costs and Obligations (continued)

The balance of the City Account at December 31, 2013 was \$54.0 million (2012 - \$60.1 million).

Total contributions by the City to the Program in 2013 were \$26.1 million (2012 - \$ 23.1 million), which were expensed as incurred.

### b) Winnipeg Police Pension Plan

The Winnipeg Police Pension Plan is a contributory defined benefit plan, providing pension benefits to police officers. Members are required to make contributions at the rate of 8% of pensionable earnings. The City is required to finance the cost of the plan's benefits other than cost-of-living adjustments and to contribute 1% of pensionable earnings in respect of cost-of-living adjustments. A contribution stabilization reserve has been established to maintain the City's contribution rate at 8% of pensionable earnings, when permitted under provincial pension legislation. The Plan incorporates a risk-sharing arrangement under which actuarial surpluses are first allocated to maintain cost-of-living adjustments to pensions at 75% of the inflation rate and maintain the contribution stabilization reserve and thereafter are shared equally between the City and Plan members. Funding deficiencies are resolved through reductions in the contribution stabilization reserve and the rate of cost-of-living adjustments to pensions.

An actuarial valuation of the Plan was prepared as of December 31, 2012. The valuation revealed a funding deficiency, which, in accordance with the terms of the Plan, was resolved through a reduction in the contribution stabilization reserve and by reducing the rate of cost-of-living adjustments to pensions from 66.2% to 47.0% of the inflation rate.

An actuarial valuation of the Plan as of December 31, 2013 is to be prepared and filed with the Pension Commission of Manitoba in 2014. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba, the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. It is anticipated that the actuarial valuation will show that the Plan has a solvency deficiency at December 31, 2013 under this wind-up scenario, which would need to be addressed by the City over a period not to exceed five years either by an increase in contributions starting in 2014, or by obtaining a letter of credit with face value equal to the value of additional contributions cumulatively otherwise required. City Council has previously approved the letter of credit option and the City has obtained a letter of credit with respect to December 2012 valuation. To the extent that the current letter of credit exceeds the revised and updated funding requirements, the face value of the letter of credit may be reduced. At December 31, 2013, the letter of credit amount was \$39.7 million.

The results of the December 31, 2012 actuarial valuation of the Plan were extrapolated to December 31, 2013. In accordance with the terms of the Plan, extrapolated deficiencies are resolved through transfers from the contribution stabilization reserve and reductions in the rate of cost-of-living adjustments to pensions. The principal long-term assumptions on which the extrapolation was based were: discount rate of 6.00% per year (2012 - 6.00%); inflation rate of 2.00% per year (2012 - 2.00%); and general pay increases of 3.25% per year (2012 - 3.50%). The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the Plan's assets, accrued pension obligation and pension expenses are as follows:

|                                      | <b>2013</b>         | <b>2012</b>       |
|--------------------------------------|---------------------|-------------------|
| Plan assets:                         |                     |                   |
| Fair value, beginning of year        | \$ 953,291          | \$ 894,619        |
| Employer contributions               | 20,954              | 17,129            |
| Employee contributions and transfers | 11,880              | 11,376            |
| Benefits and expenses paid           | (43,122)            | (43,229)          |
| Net investment income                | 177,259             | 73,396            |
|                                      | <b>1,120,262</b>    | <b>953,291</b>    |
| Fair value, end of year              | (72,467)            | 27,121            |
| Actuarial adjustment                 |                     |                   |
|                                      | <b>\$ 1,047,795</b> | <b>\$ 980,412</b> |

## 12. Pension Costs and Obligations (continued)

|  |                     |                   |
|--|---------------------|-------------------|
| Accrued pension obligation:                |                     |                   |
| Beginning of year                          | \$ 980,412          | \$ 933,487        |
| Current period benefit cost                | 33,429              | 32,689            |
| Benefits and expenses paid                 | (43,122)            | (43,229)          |
| Interest on accrued pension obligation     | 58,534              | 57,459            |
| Actuarial loss                             | 18,542              | 6                 |
|  | <u>\$ 1,047,795</u> | <u>\$ 980,412</u> |
| Expenses related to pensions:              |                     |                   |
| Current period benefit cost                | \$ 33,429           | \$ 32,689         |
| Amortization of actuarial gains            | (613)               | (2,546)           |
| Less: employee contributions and transfers | (11,880)            | (11,376)          |
|  | <u>20,936</u>       | <u>18,767</u>     |
| Pension benefit expense                    |                     |                   |
| Interest on accrued benefit obligation     | 58,534              | 57,459            |
| Expected return on plan assets             | (58,516)            | (59,097)          |
|  | <u>18</u>           | <u>(1,638)</u>    |
| Pension interest expense                   |                     |                   |
| Total expenses related to pensions         | <u>\$ 20,954</u>    | <u>\$ 17,129</u>  |

The actuarial value of the Plan's assets is determined by averaging over five years differences between the pension fund's net investment income and expected investment income based on the expected rate of return.

Total contributions made by the City to the Plan in 2013 were \$21.0 million (2012 - \$17.1 million). Total employee contributions to the Plan in 2013 were \$11.9 million (2012 - \$11.4 million). Benefits paid from the Plan in 2013 were \$42.2 million (2012 - \$42.2 million).

The expected rate of return on Plan assets in 2013 was 6.00% (2012 - 6.25%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2013 was 18.70% (2012 - 8.27%).

Since the City's contribution to the Plan each year are equal to its pension expense, no accrued pension asset or liability is reflected in the Consolidated Statement of Financial Position. As noted above, the Plan provides that within certain prescribed constraints, in the event of a funding deficiency, a transfer from the contribution stabilization reserve and amendments to the rate of cost-of-living adjustments to pensions will be utilized to resolve the deficiency. The above extrapolation anticipates that the funding deficiency at December 31, 2013 will be resolved through a further reduction in the rate of cost-of-living adjustment.

### c) Councillors' Pension Plan

#### i) Pension Plan Established Under By-Law Number 3553/83

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2013, the City paid out \$0.3 million (2012 - \$0.4 million). An actuarially determined pension obligation of \$3.9 million (2012 - \$3.9 million) has been reflected in the Consolidated Statement of Financial Position.

#### ii) Pension Plan Established Under By-Law Number 7869/01

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of City Council for The City of Winnipeg.

## 12. Pension Costs and Obligations (continued)

### d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Pension Plan or the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan, respectively. These plans provide life insurance for members while employed and can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance. An actuarial valuation indicated that this post-retirement liability is fully funded.

An actuarial valuation of the plan was prepared as of December 31, 2010 and the results were extrapolated to December 31, 2013. The principal long-term assumptions on which the valuation was based were: discount rate of 4.30% per year (2012 - 3.80%); and general pay increases of 3.50% per year (2012 - 3.50%). The accrued group life insurance obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the plan is as follows:

|  | <b>2013</b>       | 2012       |
|--|-------------------|------------|
| Group life insurance plan assets, at actuarial value | <b>\$ 140,793</b> | \$ 135,613 |
| Accrued post-retirement life insurance obligations   | <b>\$ 116,087</b> | \$ 119,377 |

## 13. Tangible Capital Assets

|                                | <b>Net Book Value</b> |              |
|--------------------------------|-----------------------|--------------|
|                                | <b>2013</b>           | 2012         |
| General                        |                       |              |
| Land                           | <b>\$ 211,130</b>     | \$ 211,731   |
| Buildings                      | <b>386,293</b>        | 321,653      |
| Vehicles                       | <b>179,281</b>        | 176,634      |
| Computer                       | <b>33,057</b>         | 35,271       |
| Other                          | <b>200,427</b>        | 164,657      |
| Infrastructure                 |                       |              |
| Plants and facilities          | <b>587,634</b>        | 594,574      |
| Roads                          | <b>1,129,322</b>      | 1,102,727    |
| Underground and other networks | <b>1,931,198</b>      | 1,864,604    |
| Bridges and other structures   | <b>541,214</b>        | 522,596      |
|                                | <b>5,199,556</b>      | 4,994,447    |
| Assets under construction      | <b>337,607</b>        | 209,178      |
|                                | <b>\$ 5,537,163</b>   | \$ 5,203,625 |

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

During the year, \$nil (2012 - \$nil) of tangible capital assets were written-down. Interest capitalized during 2013 was \$3.4 million (2012 - \$3.0 million). In addition, roads and underground networks contributed to the City totalled \$91.9 million in 2013 (2012 - \$72.2 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are \$286.0 million (2012 - \$274.1 million) of tangible capital assets that were acquired through service concession arrangements.

#### 14. Accumulated Surplus

Accumulated surplus consists of individual fund surplus/(deficit) and reserves as follows:

|   | 2013                | 2012                |
|---|---------------------|---------------------|
| <b>Invested in tangible capital assets</b>      | <b>\$ 4,637,548</b> | <b>\$ 4,397,884</b> |
| <b>Reserves</b>                                 |                     |                     |
| <b>Capital Reserves</b>                         |                     |                     |
| Environmental Projects                          | 67,338              | 58,927              |
| Sewer System Rehabilitation                     | 17,821              | 29,630              |
| Rapid Transit Infrastructure                    | 8,856               | 9,882               |
| Transit Bus Replacement                         | 7,157               | 6,678               |
| Other   | 13,376              | 9,790               |
|   | <b>114,548</b>      | <b>114,907</b>      |
| <b>Special Purpose Reserves</b>                 |                     |                     |
| Perpetual Maintenance Fund - Brookside Cemetery | 14,430              | 13,935              |
| Destination Marketing                           | 11,568              | 12,729              |
| Insurance (Note 20)                             | 7,980               | 6,604               |
| Land Operating                                  | 7,071               | 4,803               |
| Multi-Family Dwelling Tax Investment            | 7,006               | 6,073               |
| Land Dedication                                 | 5,049               | 4,850               |
| Commitment                                      | 4,093               | 4,598               |
| General Purpose                                 | 3,204               | 15,921              |
| Other   | 17,462              | 20,706              |
|   | <b>77,863</b>       | <b>90,219</b>       |
| <b>Stabilization Reserve</b>                    |                     |                     |
| Financial Stabilization                         | 85,753              | 80,404              |
| <b>Total Reserves</b>                           | <b>278,164</b>      | <b>285,530</b>      |
| <b>Surplus</b>                                  |                     |                     |
| Manitoba Hydro long-term receivable             | 220,238             | 220,238             |
| Sewage Disposal System                          | 77,573              | 76,878              |
| Waterworks System                               | 44,324              | 56,422              |
| North Portage Development Corporation           | 18,847              | 19,001              |
| CentreVenture Development Corporation           | 13,485              | 13,980              |
| Solid Waste Disposal                            | 6,643               | 8,034               |
| Equipment and Material Services                 | 3,267               | 3,247               |
| Other   | 57,762              | 21,977              |
| Unfunded expenses                               |                     |                     |
| Canadian Museum for Human Rights grant          | (10,778)            | (10,756)            |
| Environmental liabilities                       | (27,127)            | (19,980)            |
| Accrued employee benefits and other             | (172,283)           | (159,947)           |
| <b>Total Surplus</b>                            | <b>231,951</b>      | <b>229,094</b>      |
|   | <b>\$ 5,147,663</b> | <b>\$ 4,912,508</b> |

Invested in tangible capital assets represents equity in non-financial assets, which is either a portion or the entire accumulated surpluses of specific funds consolidated in these statements. For those funds, where a portion of their accumulated surplus is allocated to invested in tangible capital assets, the amount is determined based on tangible capital assets less debt.

## 15. Commitments and Contingencies

The significant commitments and contingencies that existed at December 31, 2013 are as follows:

### a) Operating leases

The City has entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments are as follows:

|                     | Operating<br>Leases |
|---------------------|---------------------|
| 2014                | \$ 5,510            |
| 2015                | 4,912               |
| 2016                | 4,737               |
| 2017                | 4,398               |
| 2018                | 4,083               |
| 2019 and thereafter | 41,794              |
|                     | <u>\$ 65,434</u>    |

### b) Legal obligations

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2013 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements.

### c) Loan guarantees

The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2013 is \$7.4 million (2012 - \$6.6 million).

### d) Service concession arrangements

- (i) As disclosed in Note 9d, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totalling \$1.7 million annually is to be adjusted by CPI and is payable commencing October 2012 until the termination of the contract with PRW in October 2042.
- (ii) As disclosed in Note 9d, the City will pay DBF2 a monthly performance-based maintenance payment related to the Chief Peguis Trail Extension contract. The monthly payment, totalling \$1.4 million annually is to be adjusted by CPI and is payable commencing January 2012 until the termination of the contract with DBF2 in January 2042.

### e) Veolia agreement

On April 20, 2011, the City entered into an agreement with VVNA Winnipeg Inc. ("Veolia") for the provision of expert advice to the City to assist with construction and operating improvements to the City's sewage treatment system (the "Program"). The agreement is effective May 1, 2011, and has a term of 30 years, subject to certain termination provisions.

## **15. Commitments and Contingencies (continued)**

The City's sewage treatment system treats and handles wastewater and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Water Pollution Control Centres (the "Facilities"). Veolia's role is to provide services to the City and representatives of Veolia are working collaboratively with representatives of the City providing advice and recommendations to the City in respect of the City's (i) management and operation of the Facilities for the handling and treatment of wastewater; (ii) assessment, planning and delivery of upgrades and capital modification to the Facilities; and (iii) assessment, planning and delivery of operational improvements to the Facilities during the term of this agreement. The Program does not include the City's supply of water or its waterworks system or work relating to the collection system or land drainage system.

Under the agreement, the City: retains complete ownership of all the sewage system assets; continues to exercise control over the sewage treatment systems by means of City Council budget approvals and by the setting of service quality standards that will be reported publicly on a regular basis; continues to control operating and maintenance parameters by which the sewage system shall operate; and retains full accountability for compliance with regulatory permits and licenses.

Decisions for the sewage treatment system are to be made by the City based upon the best advice of City management and Veolia experts working together.

The agreement provides both parties with a variety of responsibilities, rights, protections, and obligations reflecting reasonable commercial terms.

Compensation to Veolia under the Agreement includes the following components:

1. Reimbursement of Veolia's actual direct costs related to the Program ("Direct Costs");
2. An agreed-upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost ("Fee");
3. For operations and capital projections under the Program, a target cost is to be set. Veolia is to receive a share of the savings when actual operating costs and/or capital costs are below target costs ("Gainshare"). Veolia is to receive a share of expense when actual operating costs and/or capital costs are above target costs ("Painshare"); and
4. Key performance indicators ("KPIs") will be established under the Program. Veolia is to earn amounts for exceeding established KPIs ("KPI earnings"), and to be deducted amounts for failing to achieve minimum KPIs ("KPI Deductions").

The agreement only guarantees payment to Veolia in respect of the Direct Costs incurred by it in providing services as indicated in Item 1 described in the above paragraph.

Amounts earned by Veolia over the term of the agreement (Fee, Gainshare, and KPI earnings) are credited to an Earning at Risk Account ("EARA"). Painshare and KPI deductions reduce the EARA. All of these amounts are not guaranteed to be paid to Veolia, and by their nature, are dependent on the financial and overall results of the Program.

Veolia's withdrawals of amounts from the EARA are subject to certain limits and security posting requirements.

If at the end of the 30-year term the EARA is negative, Veolia must repay the City this amount.

The agreement established a Performance Guarantee Security ("PGS"), which is a letter of credit and performance bond that together provide security to the City. In addition to the PGS, Veolia is providing a Parental Guarantee by its parent company.

### **f) Forgivable loans**

The City has received funding from the federal and provincial governments for the purchase of certain properties. Repayment of this funding is not required as long as the properties operate as an affordable housing complex or offer services for the homeless. As at December 31, 2013, the forgivable loans totalled \$5.7 million (2012 - \$6.2 million).



## 16. Taxation

|  | 2013              | 2012              |
|--|-------------------|-------------------|
| Municipal and school property taxes  | \$ 985,893        | \$ 932,410        |
| Payments-in-lieu of property (municipal and school) and business taxes                     | 47,147            | 42,883            |
|  | <b>1,033,040</b>  | 975,293           |
| Payments to Province and school divisions  | (550,039)         | (521,322)         |
| Net property taxes and payments-in-lieu of property taxes available for municipal purposes | <b>483,001</b>    | 453,971           |
| Business tax and license-in-lieu of business taxes   | 56,326            | 56,783            |
| Local improvement and frontage levies  | 42,488            | 42,776            |
| Electricity and natural gas sales taxes  | 18,995            | 17,984            |
| Amusement and accommodation taxes and mobile home licence                                  | 11,003            | 16,064            |
|  | <b>\$ 611,813</b> | <b>\$ 587,578</b> |

The property tax roll includes school taxes of \$521.5 million (2012 - \$495.0 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2013 totalled \$28.5 million (2012 - \$26.3 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province. If property taxes are reduced due to an assessment reduction, the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

Business tax does not include the amount of levy imposed for business improvement zones of \$4.2 million.

## 17. Sales of Services and Regulatory Fees

|                                   | 2013              | 2012              |
|-----------------------------------|-------------------|-------------------|
| Water sales and sewage services   | \$ 235,875        | \$ 230,040        |
| Other sales of goods and services | 129,962           | 116,201           |
| Transit fares                     | 76,482            | 72,672            |
| Regulatory fees                   | 65,550            | 64,426            |
|                                   | <b>\$ 507,869</b> | <b>\$ 483,339</b> |

## 18. Government Transfers

|                                 | 2013           | 2012      |
|---------------------------------|----------------|-----------|
| <b>Operating</b>                |                |           |
| Province of Manitoba            |                |           |
| Ambulance, libraries and other  | \$ 62,049      | \$ 60,822 |
| Building Manitoba Fund          | 56,604         | 56,604    |
| Transit                         | 33,534         | 33,164    |
| Unconditional                   | 19,888         | 19,888    |
| Support                         | 12,425         | 11,893    |
| Support for provincial programs | (23,650)       | (23,650)  |
|                                 | <b>160,850</b> | 158,721   |
| Government of Canada            |                |           |
| Other                           | 487            | 254       |
| <b>Total Operating</b>          | <b>161,337</b> | 158,975   |

## 18. Government Transfers (continued)

### Capital

|  |                          |                          |
|--|--------------------------|--------------------------|
| Province of Manitoba                     |                          |                          |
| Building Manitoba Fund                   |                          |                          |
| Manitoba Winnipeg Infrastructure Funding | 15,100                   | 11,903                   |
| Road Improvements                        | 12,935                   | 13,627                   |
| Winnipeg Convention Centre               | 11,518                   | 1,384                    |
| Other                                    | 14,247                   | 29,716                   |
|  | <u>53,800</u>            | <u>56,630</u>            |
| Manitoba Housing Renewal Corporation     | 5,379                    | 6,557                    |
|  | <u>59,179</u>            | <u>63,187</u>            |
| Government of Canada                     |                          |                          |
| Federal gas tax revenue                  | 46,476                   | 50,577                   |
| Other capital funding                    | 25,266                   | 7,498                    |
|  | <u>71,742</u>            | <u>58,075</u>            |
| <b>Total Capital</b>                     | <u>130,921</u>           | <u>121,262</u>           |
|  | <u><u>\$ 292,258</u></u> | <u><u>\$ 280,237</u></u> |

In accordance with the recommendations of the Public Sector Accounting Board, government transfers, to the extent a liability does not exist, and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

## 19. Expenses by Object

|   | 2013                       | 2012                       |
|---|----------------------------|----------------------------|
| Salaries and benefits                   | \$ 730,133                 | \$ 695,849                 |
| Goods and services                      | 376,614                    | 344,217                    |
| Amortization of tangible capital assets | 198,106                    | 188,432                    |
| Interest                                | 54,732                     | 53,587                     |
| Other expenses                          | 37,215                     | 17,638                     |
|   | <u><u>\$ 1,396,800</u></u> | <u><u>\$ 1,299,723</u></u> |

## 20. Property and Liability Insurance

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of \$250 thousand per claim for most of the policies. The City has established an Insurance Reserve Fund (Note 14) that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year.

## 21. Segmented Information

The City of Winnipeg is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance, public transit and water. For management reporting purposes the City's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

## **21. Segmented Information (continued)**

### **Protection**

Protection is comprised of the Police Service and Fire Paramedic Service departments. The mandate of the Police Service department is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire Paramedic Service department is responsible for providing fire suppression service; fire prevention programs; and training and education related to prevention, detection or extinguishment of fires. It is also responsible for pre-hospital emergency paramedical care and the transport of the sick and injured; for handling hazardous materials incidents; for the mitigation of calamitous incidents; and for the evacuation of people when in charge at an incident.

### **Community Services**

The Community Services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. The department also contributes to the information needs of the City's citizens through the provision of library services.

### **Planning**

The Planning, Property and Development department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning, community development and parks and riverbank planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes and building standards. It facilitates economic development by providing services for the approval of all land development plans, the processing of building permit applications and the provision of geomatics services, as well as providing cemetery services to citizens.

### **Public Works and Water**

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parks and open space, and street lighting. The Water and Waste department is responsible for land drainage and garbage collection operations.

### **Transit System Fund**

The Transit department is responsible for providing local public transportation service.

### **Water and Waste Funds**

The Water and Waste department consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to citizens of Winnipeg, collects and treats wastewater, and provides collection, disposal and waste minimization programs and facilities for solid waste. Their land drainage and garbage collection operations are reported in the General Revenue Fund and are included in the Public Works and Water segment.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfers from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information, see the Consolidated Schedule of Segment Disclosure - Service (Schedule 2).

## **22. *Funds Held in Trust***

Trust funds administered by the City for the benefit of external parties, which total \$0.3 million (2012 - \$0.4 million), are not included in the consolidated financial statements.

## **23. *Budget***

On December 17, 2013, Council approved the 2014 budget for the City of Winnipeg, including operating budgets for tax supported, utility, special operating agency and reserve operations as well as a capital budget. Included in the 2014 budget document is a 2013 consolidated budget (Appendix 11) that considers a number of adjustments for inter-fund transaction eliminations, tangible capital asset based revenues and amortization, controlled entity operations and the accrual of unfunded expenses. The resulting 2013 consolidated budget presented in the budget has been utilized in these consolidated financial statements.

## **24. *Comparative Figures***

Certain comparative figures have been reclassified to conform to the presentation made in the current year.

**THE CITY OF WINNIPEG**  
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**

*As at December 31*  
*(in thousands of dollars)*

|  | <b>General</b>    |                   |                   |                  |                   |
|--|-------------------|-------------------|-------------------|------------------|-------------------|
|  | <b>Land</b>       | <b>Buildings</b>  | <b>Vehicles</b>   | <b>Computer</b>  | <b>Other</b>      |
| <b>Cost</b>                                      |                   |                   |                   |                  |                   |
| Balance, beginning of year                       | \$ 211,731        | \$ 605,712        | \$ 347,202        | \$ 141,058       | \$ 257,458        |
| Add:   |                   |                   |                   |                  |                   |
| Additions during the year                        | 10,094            | 86,144            | 27,703            | 7,623            | 57,071            |
| Less:  |                   |                   |                   |                  |                   |
| Disposals during the year                        | 10,695            | 2,033             | 6,982             | -                | 494               |
| Balance, end of year                             | 211,130           | 689,823           | 367,923           | 148,681          | 314,035           |
| <b>Accumulated amortization</b>                  |                   |                   |                   |                  |                   |
| Balance, beginning of year                       | -                 | 284,059           | 170,568           | 105,787          | 92,801            |
| Add:   |                   |                   |                   |                  |                   |
| Amortization                                     | -                 | 21,132            | 24,117            | 9,837            | 21,301            |
| Less:  |                   |                   |                   |                  |                   |
| Accumulated amortization on disposals            | -                 | 1,661             | 6,043             | -                | 494               |
| Balance, end of year                             | -                 | 303,530           | 188,642           | 115,624          | 113,608           |
| <b>Net Book Value of Tangible Capital Assets</b> | <b>\$ 211,130</b> | <b>\$ 386,293</b> | <b>\$ 179,281</b> | <b>\$ 33,057</b> | <b>\$ 200,427</b> |

| Infrastructure           |                     |                                      |                                    |                                 | Totals              |                     |
|--------------------------|---------------------|--------------------------------------|------------------------------------|---------------------------------|---------------------|---------------------|
| Plants and<br>Facilities | Roads               | Underground<br>and Other<br>Networks | Bridges<br>and Other<br>Structures | Assets<br>Under<br>Construction | 2013                | 2012                |
| \$ 831,443               | \$ 2,024,665        | \$ 2,800,233                         | \$ 723,853                         | \$ 209,178                      | \$ 8,152,533        | \$ 7,565,150        |
| 9,232                    | 79,188              | 106,344                              | 32,110                             | 128,429                         | 543,938             | 653,993             |
| -                        | 546                 | 2,896                                | 690                                | -                               | 24,336              | 66,610              |
| 840,675                  | 2,103,307           | 2,903,681                            | 755,273                            | 337,607                         | 8,672,135           | 8,152,533           |
| 236,869                  | 921,938             | 935,629                              | 201,257                            | -                               | 2,948,908           | 2,817,355           |
| 16,172                   | 52,564              | 39,635                               | 13,348                             | -                               | 198,106             | 188,432             |
| -                        | 517                 | 2,781                                | 546                                | -                               | 12,042              | 56,879              |
| 253,041                  | 973,985             | 972,483                              | 214,059                            | -                               | 3,134,972           | 2,948,908           |
| <u>\$ 587,634</u>        | <u>\$ 1,129,322</u> | <u>\$ 1,931,198</u>                  | <u>\$ 541,214</u>                  | <u>\$ 337,607</u>               | <u>\$ 5,537,163</u> | <u>\$ 5,203,625</u> |

# THE CITY OF WINNIPEG

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

For the year ended December 31, 2013  
(in thousands of dollars)

|                                       | General Revenue Fund |                    |               |                        |
|---------------------------------------|----------------------|--------------------|---------------|------------------------|
|                                       | Protection           | Community Services | Planning      | Public Works and Water |
| <b>REVENUES</b>                       |                      |                    |               |                        |
| Taxation                              | \$ 266,048           | \$ 76,022          | \$ 986        | \$ 185,279             |
| Sales of services and regulatory fees | 55,355               | 15,617             | 26,774        | 5,900                  |
| Government transfers (Note 18)        | 70,832               | 10,218             | 3,377         | 19,168                 |
| Transfer from other funds             | 8,058                | 2,404              | 11,211        | 19,458                 |
| Other                                 | 15,768               | 4,242              | 2,248         | 9,205                  |
|                                       | <b>416,061</b>       | <b>108,503</b>     | <b>44,596</b> | <b>239,010</b>         |
| <b>EXPENSES (Note 19)</b>             |                      |                    |               |                        |
| Salaries and benefits                 | 350,379              | 37,197             | 22,418        | 72,211                 |
| Goods and services                    | 34,965               | 8,202              | 3,426         | 121,639                |
| Interest                              | 612                  | 392                | 793           | 10,551                 |
| Transfer to other funds               | 24,758               | 43,010             | 15,763        | 43,451                 |
| Other                                 | 5,347                | 19,702             | 2,196         | (8,842)                |
|                                       | <b>416,061</b>       | <b>108,503</b>     | <b>44,596</b> | <b>239,010</b>         |
| <b>ANNUAL SURPLUS</b>                 | <b>\$ -</b>          | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>            |

For the year ended December 31, 2012  
(in thousands of dollars)

|                                       | General Revenue Fund |                    |               |                        |
|---------------------------------------|----------------------|--------------------|---------------|------------------------|
|                                       | Protection           | Community Services | Planning      | Public Works and Water |
| <b>REVENUES</b>                       |                      |                    |               |                        |
| Taxation                              | \$ 238,241           | \$ 76,910          | \$ 1,908      | \$ 165,578             |
| Sales of services and regulatory fees | 52,641               | 16,391             | 27,116        | 5,712                  |
| Government transfers (Note 18)        | 65,604               | 10,718             | 2,989         | 19,647                 |
| Transfer from other funds             | 8,718                | 2,824              | 11,896        | 22,359                 |
| Other                                 | 14,500               | 4,279              | 2,004         | 8,546                  |
|                                       | <b>379,704</b>       | <b>111,122</b>     | <b>45,913</b> | <b>221,842</b>         |
| <b>EXPENSES (Note 19)</b>             |                      |                    |               |                        |
| Salaries and benefits                 | 325,106              | 36,870             | 20,847        | 68,063                 |
| Goods and services                    | 36,159               | 8,395              | 4,943         | 106,481                |
| Interest                              | 1,382                | 284                | 1,351         | 12,525                 |
| Transfer to other funds               | 12,785               | 45,710             | 15,785        | 41,950                 |
| Other                                 | 4,272                | 19,863             | 2,987         | (7,177)                |
|                                       | <b>379,704</b>       | <b>111,122</b>     | <b>45,913</b> | <b>221,842</b>         |
| <b>ANNUAL SURPLUS</b>                 | <b>\$ -</b>          | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>            |

## Schedule 2

| <u>Finance and<br/>Administration</u> | <u>Transit<br/>System Fund</u> | <u>Water and<br/>Waste Funds</u> | <u>Other Funds and<br/>Corporations</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---------------------------------------|--------------------------------|----------------------------------|---|---------------------|---------------------|
| \$ 78,151                             | \$ -                           | \$ -                             | \$ 19,955                               | \$ (14,628)         | \$ 611,813          |
| 12,547                                | 80,882                         | 269,130                          | 94,159                                  | (52,495)            | 507,869             |
| 12,238                                | 45,103                         | 7,252                            | 165,393                                 | (41,323)            | 292,258             |
| 6,066                                 | 69,556                         | 37,753                           | 330,017                                 | (484,523)           | -                   |
| 13,385                                | 1,041                          | 30,915                           | 150,309                                 | (19,795)            | 207,318             |
| <u>122,387</u>                        | <u>196,582</u>                 | <u>345,050</u>                   | <u>759,833</u>                          | <u>(612,764)</u>    | <u>1,619,258</u>    |
| 37,444                                | 93,602                         | 60,574                           | 55,377                                  | 931                 | 730,133             |
| 14,423                                | 45,967                         | 101,159                          | 97,617                                  | (50,784)            | 376,614             |
| (89)                                  | 6,893                          | 15,550                           | 32,951                                  | (12,921)            | 54,732              |
| 46,842                                | 11,065                         | 84,140                           | 15,448                                  | (284,477)           | -                   |
| 23,767                                | 19,432                         | 34,376                           | 200,812                                 | (61,469)            | 235,321             |
| <u>122,387</u>                        | <u>176,959</u>                 | <u>295,799</u>                   | <u>402,205</u>                          | <u>(408,720)</u>    | <u>1,396,800</u>    |
| <u>\$ -</u>                           | <u>\$ 19,623</u>               | <u>\$ 49,251</u>                 | <u>\$ 357,628</u>                       | <u>\$ (204,044)</u> | <u>\$ 222,458</u>   |

| <u>Finance and<br/>Administration</u> | <u>Transit<br/>System Fund</u> | <u>Water and<br/>Waste Funds</u> | <u>Other Funds and<br/>Corporations</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---------------------------------------|--------------------------------|----------------------------------|---|---------------------|---------------------|
| \$ 103,051                            | \$ -                           | \$ -                             | \$ 14,619                               | \$ (12,729)         | \$ 587,578          |
| 11,661                                | 75,228                         | 256,549                          | 90,521                                  | (52,480)            | 483,339             |
| 12,969                                | 45,055                         | 14,842                           | 152,169                                 | (43,756)            | 280,237             |
| 4,879                                 | 67,418                         | 32,328                           | 319,524                                 | (469,946)           | -                   |
| 12,217                                | 1,292                          | 36,907                           | 84,333                                  | (18,091)            | 145,987             |
| <u>144,777</u>                        | <u>188,993</u>                 | <u>340,626</u>                   | <u>661,166</u>                          | <u>(597,002)</u>    | <u>1,497,141</u>    |
| 36,300                                | 89,389                         | 59,692                           | 49,788                                  | 9,794               | 695,849             |
| 12,600                                | 43,324                         | 94,729                           | 86,976                                  | (49,390)            | 344,217             |
| 653                                   | 7,370                          | 19,109                           | 28,106                                  | (17,193)            | 53,587              |
| 70,164                                | 13,593                         | 82,131                           | 172,909                                 | (455,027)           | -                   |
| 25,060                                | 17,210                         | 35,666                           | 169,717                                 | (61,528)            | 206,070             |
| <u>144,777</u>                        | <u>170,886</u>                 | <u>291,327</u>                   | <u>507,496</u>                          | <u>(573,344)</u>    | <u>1,299,723</u>    |
| <u>\$ -</u>                           | <u>\$ 18,107</u>               | <u>\$ 49,299</u>                 | <u>\$ 153,670</u>                       | <u>\$ (23,658)</u>  | <u>\$ 197,418</u>   |



# THE CITY OF WINNIPEG

## CONSOLIDATED FINANCIAL STATEMENTS

### FIVE-YEAR REVIEW

December 31

("\$" amounts in thousands of dollars, except as noted)

(Unaudited)

|  | 2013                 | 2012       | 2011       | 2010       | 2009       |
|--|----------------------|------------|------------|------------|------------|
| 1. Population (as restated per Statistics Canada)        | <b>699,300</b>       | 689,300    | 677,800    | 669,400    | 663,000    |
| Unemployment rate (as restated per Statistics Canada)    |                      |            |            |            |            |
| - Winnipeg   | <b>6.0%</b>          | 5.6%       | 5.8%       | 5.7%       | 5.5%       |
| - National average                                       | <b>7.2%</b>          | 7.3%       | 7.5%       | 7.5%       | 8.3%       |
| 2. Average annual headcount                              | <b>10,143</b>        | 10,080     | 10,039     | 9,942      | 9,827      |
| 3. Number of taxable properties                          | <b>220,393</b>       | 218,973    | 216,997    | 215,224    | 213,574    |
| Payments-in-lieu of taxes                                |                      |            |            |            |            |
| Number of properties                                     | <b>1,042</b>         | 1,317      | 1,181      | 1,238      | 903        |
| 4. Assessment - Residential                              | <b>\$ 50,851,841</b> | 50,738,087 | 44,052,618 | 43,431,201 | 24,048,221 |
| (see note) - Commercial and industrial                   | <b>11,843,015</b>    | 13,310,247 | 12,054,712 | 12,033,087 | 8,242,789  |
| - Farm and golf  | <b>223,708</b>       | 244,951    | 179,736    | 183,279    | 128,611    |
|  | <b>\$ 62,918,564</b> | 64,293,285 | 56,287,066 | 55,647,567 | 32,419,621 |
| Assessment per capita (in dollars)                       | <b>\$ 89,974</b>     | 93,273     | 83,044     | 83,131     | 48,898     |
| Commercial and industrial as a percentage of assessment  | <b>18.82%</b>        | 20.70%     | 21.42%     | 21.62%     | 25.43%     |
| 5. Tax arrears   | <b>\$ 49,592</b>     | 37,960     | 34,747     | 34,387     | 30,036     |
| 6. Tax arrears - per capita (in dollars)                 | <b>\$ 70.92</b>      | 55.07      | 51.26      | 51.37      | 45.30      |
| 7. Municipal mill rate                                   | <b>14.600</b>        | 14.056     | 15.295     | 15.295     | 25.448     |
| - Adjustment for tax increase                            | <b>3.9%</b>          | 3.5%       | 0.0%       | 0.0%       | 0.0%       |
| - Adjustment for general assessment                      | <b>0.0%</b>          | -11.2%     | 0.0%       | -39.9%     | 0.0%       |
| 8. Winnipeg consumer price index (per Statistics Canada) |                      |            |            |            |            |
| (annual average)   |                      |            |            |            |            |
| - 2002 base year 100                                     | <b>122.6</b>         | 119.9      | 118.1      | 114.8      | 113.9      |
| - Percentage increase                                    | <b>2.3%</b>          | 1.5%       | 2.9%       | 0.8%       | 0.5%       |
| 9. Consolidated revenues                                 |                      |            |            |            |            |
| - Taxation   | <b>\$ 611,813</b>    | 587,578    | 563,779    | 550,994    | 534,571    |
| - User charges   | <b>507,869</b>       | 483,339    | 460,452    | 425,164    | 413,243    |
| - Government transfers                                   | <b>292,258</b>       | 280,237    | 298,086    | 251,886    | 256,823    |
| - Interest and other revenue                             | <b>207,318</b>       | 145,987    | 147,293    | 125,812    | 139,011    |
|  | <b>\$ 1,619,258</b>  | 1,497,141  | 1,469,610  | 1,353,856  | 1,343,648  |
| 10. Consolidated expenses by function                    |                      |            |            |            |            |
| - Municipal operations                                   | <b>\$ 994,365</b>    | 910,177    | 891,823    | 851,469    | 842,003    |
| - Public utilities                                       | <b>347,652</b>       | 338,028    | 334,154    | 301,637    | 278,848    |
| - Civic corporations                                     | <b>54,783</b>        | 51,518     | 47,257     | 31,532     | 29,582     |
|  | <b>\$ 1,396,800</b>  | 1,299,723  | 1,273,234  | 1,184,638  | 1,150,433  |
| 11. Growth in accumulated surplus                        | <b>\$ 222,458</b>    | 197,418    | 196,376    | 169,218    | 193,215    |

Note: Current provincial legislation requires that a general assessment be performed every two years. A general assessment occurred in 2010 and 2012. In the year of a general assessment, the mill rate is adjusted to offset the effect of market value changes of the entire assessment base.

# THE CITY OF WINNIPEG

## CONSOLIDATED FINANCIAL STATEMENTS

### FIVE-YEAR REVIEW - continued

December 31

("\$" amounts in thousands of dollars, except as noted)

(Unaudited)

|  | 2013                | 2012             | 2011             | 2010             | 2009             |
|--|---------------------|------------------|------------------|------------------|------------------|
| 12. Consolidated expenses by object        |                     |                  |                  |                  |                  |
| Salaries and benefits                      | \$ 730,133          | 695,849          | 664,221          | 623,232          | 598,576          |
| Goods and services                         | 376,614             | 344,217          | 357,008          | 324,119          | 314,746          |
| Amortization                               | 198,106             | 188,432          | 175,765          | 165,857          | 155,382          |
| Interest                                   | 54,732              | 53,587           | 43,954           | 46,233           | 49,588           |
| Other expenses                             | 37,215              | 17,638           | 32,286           | 25,197           | 32,141           |
|  | <b>\$ 1,396,800</b> | <b>1,299,723</b> | <b>1,273,234</b> | <b>1,184,638</b> | <b>1,150,433</b> |
| 13. Payments to school authorities         | \$ 550,039          | 521,322          | 497,237          | 497,907          | 474,445          |
| 14. Debt                                   |                     |                  |                  |                  |                  |
| Tax-supported                              | \$ 557,781          | 560,073          | 334,359          | 274,838          | 294,449          |
| Transit                                    | 103,936             | 109,709          | 110,449          | 81,408           | 22,088           |
| City-owned utilities                       | 248,719             | 296,868          | 285,799          | 290,605          | 288,899          |
| Other                                      | 74,848              | 80,012           | 70,321           | 68,238           | 73,081           |
| Total gross debt                           | <b>985,284</b>      | <b>1,046,662</b> | <b>800,928</b>   | <b>715,089</b>   | <b>678,517</b>   |
| Less: Sinking Funds                        | <b>195,237</b>      | <b>264,037</b>   | <b>242,528</b>   | <b>218,687</b>   | <b>199,025</b>   |
| Total net long-term debt                   | <b>\$ 790,047</b>   | <b>782,625</b>   | <b>558,400</b>   | <b>496,402</b>   | <b>479,492</b>   |
| Percentage of total assessment             | <b>1.26%</b>        | <b>1.22%</b>     | <b>0.99%</b>     | <b>0.89%</b>     | <b>1.48%</b>     |
| 15. Acquisition of tangible capital assets | \$ 543,938          | 653,993          | 486,320          | 333,851          | 384,110          |
| 16. Net financial (liabilities) assets     | \$ (411,063)        | (325,605)        | (55,176)         | 48,603           | 36,903           |
| 17. Accumulated surplus                    |                     |                  |                  |                  |                  |
| Invested in tangible capital assets        | \$ 4,637,548        | 4,397,884        | 4,197,895        | 3,983,440        | 3,803,787        |
| Reserves                                   |                     |                  |                  |                  |                  |
| Capital                                    | 114,548             | 114,907          | 107,716          | 97,376           | 98,329           |
| Special Purpose                            | 77,863              | 90,219           | 81,981           | 71,973           | 81,941           |
| Stabilization                              | 85,753              | 80,404           | 85,305           | 81,582           | 78,397           |
|  | <b>278,164</b>      | <b>285,530</b>   | <b>275,002</b>   | <b>250,931</b>   | <b>258,667</b>   |
| Surpluses                                  |                     |                  |                  |                  |                  |
| Manitoba Hydro long-term receivable        | 220,238             | 220,238          | 220,238          | 220,238          | 226,640          |
| Other surpluses                            | 221,901             | 199,539          | 205,043          | 236,686          | 230,630          |
| Unfunded expenses                          | (210,188)           | (190,683)        | (183,088)        | (172,581)        | (170,228)        |
|  | <b>231,951</b>      | <b>229,094</b>   | <b>242,193</b>   | <b>284,343</b>   | <b>287,042</b>   |
|  | <b>\$ 5,147,663</b> | <b>4,912,508</b> | <b>4,715,090</b> | <b>4,518,714</b> | <b>4,349,496</b> |
| 18. Government-specific indicators         |                     |                  |                  |                  |                  |
| Assets-to-liabilities                      | 4.79                | 4.85             | 5.62             | 6.00             | 6.05             |
| Financial assets-to-liabilities            | 0.70                | 0.75             | 0.95             | 1.05             | 1.04             |
| Public debt charges-to-revenues            | 0.04                | 0.04             | 0.03             | 0.03             | 0.04             |
| Own-source revenues-to-taxable assessment  | 0.02                | 0.02             | 0.02             | 0.02             | 0.03             |
| Government transfers-to-revenues           | 0.18                | 0.19             | 0.20             | 0.19             | 0.19             |







2013 FUNDS



DETAILED FINANCIAL STATEMENTS

## **THE CITY OF WINNIPEG GENERAL REVENUE FUND**

The City of Winnipeg ("the City") is a single-tier municipality created on January 1, 1972, pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba ("the Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, parks and recreation. The City is required by The Public Schools Act to bill, collect and remit provincial support and school division special levies on behalf of the Province and school divisions. The City also bills, collects, and remits taxes on behalf of local business improvement zones. Activities related to these billing functions are not included in the Statement of Operations.

For the year-ended December 31, 2013, the General Revenue Fund reported a net deficit of \$1.8 million (2012 - \$15.9 million surplus) before transfers. Factors that contributed to the General Revenue Fund's position were as follows:

- The Public Works department's expenses were higher than anticipated due mainly to increased spending on the snow clearing and ice control program that was over budget by \$15 million.
- Fire Paramedic Service department's net mill rate support is \$4.3 million over budget as a result of increased salaries and benefits expense, including overtime, and ambulance revenues falling short. This is offset by additional transfers from Winnipeg Regional Health Authority.
- The Corporate Finance department's net mill rate support was under budget by \$1.7 million mainly as a result of higher investment recoveries and lower salaries and benefit expenses.
- The Assessment and Taxation department's net mill rate was \$2.3 million less than anticipated due mostly to increased revenue related to entertainment and electricity taxes, as well as interest on uncollected taxes.
- Corporate's net mill rate was lower than budgeted by \$7.9 million because of less than anticipated long term and other employee benefit expenses, adjustments to provisions and decreased interest costs. These are partially offset by reduced savings from alternative service delivery initiatives.
- Other departmental revenues and expenses provided \$3.6 million of surplus to the total position.

# THE CITY OF WINNIPEG

## GENERAL REVENUE FUND

### FIVE-YEAR REVIEW

December 31

("\$" amounts in thousands of dollars, except as noted)

(unaudited)

|   | <u>2013</u>         | <u>2012</u>  | <u>2011</u>  | <u>2010</u>  | <u>2009</u>  |
|---|---------------------|--------------|--------------|--------------|--------------|
| <i>Planning, Property and Development</i>           |                     |              |              |              |              |
| Construction  |                     |              |              |              |              |
| -Permits issued                                     | <b>8,461</b>        | 10,124       | 10,046       | 9,543        | 9,480        |
| -Value  | <b>\$ 1,781,937</b> | \$ 1,541,071 | \$ 1,158,757 | \$ 1,152,406 | \$ 1,110,844 |
| Housing starts                                      | <b>3,866</b>        | 3,574        | 2,976        | 2,737        | 1,811        |
| <i>Community Services</i>                           |                     |              |              |              |              |
| Libraries Provincial                                |                     |              |              |              |              |
| Transfer  | <b>\$ 2,010</b>     | \$ 2,010     | \$ 2,010     | \$ 2,010     | \$ 2,010     |
| Library circulation                                 | <b>5,319,275</b>    | 5,585,216    | 5,472,382    | 5,423,042    | 5,728,077    |
| <i>Taxes Receivable</i>                             |                     |              |              |              |              |
| Property, payments-in-lieu<br>and business taxes    | <b>\$ 46,985</b>    | \$ 37,960    | \$ 34,747    | \$ 34,387    | \$ 30,036    |
| Allowance for tax arrears                           | <b>(3,694)</b>      | (3,351)      | (2,629)      | (3,080)      | (3,784)      |
|   | <b>\$ 43,291</b>    | \$ 34,609    | \$ 32,118    | \$ 31,307    | \$ 26,252    |
| <i>Tax Revenues</i>                                 |                     |              |              |              |              |
| Municipal realty<br>taxes                           | <b>\$ 453,682</b>   | \$ 432,584   | \$ 409,208   | \$ 405,785   | \$ 398,730   |
| Payments-in-lieu of taxes                           | <b>\$ 31,144</b>    | \$ 29,076    | \$ 28,646    | \$ 30,519    | \$ 31,058    |
| Business and licenses-in-<br>lieu of business taxes | <b>\$ 56,412</b>    | \$ 55,629    | \$ 55,655    | \$ 56,417    | \$ 56,504    |
| <i>Statement of Operations (1)</i>                  |                     |              |              |              |              |
| Revenues  | <b>\$ 930,557</b>   | \$ 898,614   | \$ 869,588   | \$ 813,059   | \$ 794,766   |
| Expenses  | <b>930,557</b>      | 882,756      | 859,888      | 813,059      | 785,773      |
|   | -                   | 15,858       | 9,700        | -            | 8,993        |
| Contribution to:                                    |                     |              |              |              |              |
| General Purpose Reserve                             |                     | (15,858)     | (9,700)      | -            | (8,993)      |
| Mill Rate   |                     |              |              |              |              |
| Stabilization Reserve                               | -                   | -            | -            | -            | -            |
| Surplus   | <b>\$ -</b>         | \$ -         | \$ -         | \$ -         | \$ -         |

(1) The 2010 - 2009 figures have not been reclassified to conform with 2011 - 2013 presentation.

# THE CITY OF WINNIPEG

## GENERAL REVENUE FUND

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

#### **ASSETS**

##### Current

Cash and cash equivalents (Note 3)

Accounts receivable (Note 4)

Materials and supplies

Prepaid expenses

| <b>2013</b>       | <b>2012</b>       |
|-------------------|-------------------|
|                   |                   |
| \$ 621,405        | \$ 489,378        |
| 97,399            | 92,464            |
| 7,264             | 7,811             |
| 1,189             | 1,126             |
| <b>727,257</b>    | <b>590,779</b>    |
|                   |                   |
| 38,162            | 62,556            |
| 35,568            | 36,180            |
| <b>\$ 800,987</b> | <b>\$ 689,515</b> |

Investments (Note 5)

Contributed surplus and other assets (Note 6)

#### **LIABILITIES**

##### Current

Notes payable (Note 7)

Due to other funds (Note 8)

Accounts payable and accrued liabilities (Note 9)

Deferred revenue (Note 10)

Performance and other deposits

|                   |                   |
|-------------------|-------------------|
| \$ 323,802        | \$ 119,226        |
| 287,612           | 395,911           |
| 130,612           | 112,574           |
| 34,763            | 34,455            |
| 24,198            | 14,593            |
| <b>800,987</b>    | <b>676,759</b>    |
|                   |                   |
| -                 | 12,756            |
| <b>\$ 800,987</b> | <b>\$ 689,515</b> |

Premium on long-term debt

Commitments and contingent liabilities (Note 11)

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG

## GENERAL REVENUE FUND

### STATEMENT OF OPERATIONS

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
| <b><i>REVENUES (Schedule 1)</i></b>        |                        |                        |                        |
| Taxation (Note 12)                         | \$ 574,016             | \$ 575,342             | \$ 551,868             |
| Government transfers                       | 113,050                | 115,834                | 111,927                |
| Sale of goods and services (Note 13)       | 67,782                 | 66,127                 | 66,048                 |
| Regulation fees                            | 47,341                 | 50,066                 | 47,473                 |
| Contributions and transfers                | 46,586                 | 47,197                 | 50,676                 |
| Payments-in-lieu of taxes (Note 12)        | 30,964                 | 31,144                 | 29,076                 |
| Investment and other interest              | 26,569                 | 27,352                 | 23,576                 |
| Sale of Winnipeg Hydro and other           | 16,364                 | 17,495                 | 17,970                 |
| Total Revenues                             | <u>922,672</u>         | <u>930,557</u>         | <u>898,614</u>         |
| <b><i>EXPENSES (Schedules 2 and 3)</i></b> |                        |                        |                        |
| Protection and community services          | 521,864                | 525,545                | 491,914                |
| Public works                               | 227,297                | 239,010                | 221,842                |
| Finance and administration                 | 82,622                 | 79,791                 | 77,526                 |
| Contribution to Transit System             | 45,849                 | 45,888                 | 46,279                 |
| Property and development                   | 42,064                 | 44,596                 | 45,913                 |
| Employee benefits and payroll tax          | 13,618                 | 13,188                 | 12,722                 |
| Debt and finance charges                   | 3,154                  | 1,304                  | 2,265                  |
| Grants and payments to other authorities   | 18                     | 18                     | 535                    |
| Other                                      | (13,814)               | (18,783)               | (16,240)               |
| Total Expenses                             | <u>922,672</u>         | <u>930,557</u>         | <u>882,756</u>         |
| Surplus for the year before contribution   | -                      | -                      | 15,858                 |
| Contribution:                              |                        |                        |                        |
| General Purpose Reserve                    | -                      | -                      | (15,858)               |
| Surplus for the year                       | <u>\$ -</u>            | <u>\$ -</u>            | <u>\$ -</u>            |

*See accompanying notes and schedules to the financial statements*



# THE CITY OF WINNIPEG GENERAL REVENUE FUND

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

*(unaudited)*

### **1. Significant Accounting Policies**

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

#### **a) Basis of presentation**

The General Revenue Fund follows the fund basis of reporting. This Fund was created for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

#### **b) Basis of accounting**

The financial statements are generally prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The accrual basis of accounting is modified for expenses relating to accrued vacation costs, compensated absences, legal claims, retirement allowance, workers compensation claims, insurance claims, councillors' pension plan costs, and environmental costs which are recorded when payment is incurred.

#### **c) Cash equivalents**

Cash equivalents consist of crown corporation bonds; Canada treasury bills; provincial government bonds; City of Winnipeg municipal bonds; other municipal bonds; schedule 1 bank bonds, and bankers' acceptances; schedule 2 bankers' acceptances; and asset backed commercial paper. Cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable on demand.

#### **d) Materials and supplies**

Materials and supplies are recorded at the lower of cost or net realizable value.

#### **e) Investments**

Bonds are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

## **1. Significant Accounting Policies (continued)**

### **f) Deferred revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the acquisition and construction of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

### **g) Debt and finance charges**

Tax-supported tangible capital assets, including those financed by debt, are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the General Revenue Fund with the interest expense recorded in the General Capital Fund.

### **h) Administration and interest on capital work**

In certain circumstances, capital project work capitalized in the General Capital Fund includes an administration fee of 1% of specific costs of the project to a maximum of \$100 thousand on any individual project. In addition, financing charges of 2% are also capitalized as part of the project funded by the City. The administration fee and financing charge revenues are recorded in the General Revenue Fund.

### **i) Debenture premiums and issue expenses**

Debenture premiums are amortized over the term of the debenture and issue expenses are charged to operations in the General Revenue Fund in the year of the related debenture issue.

### **j) Deferred gain on sale of assets to Special Operating Agencies**

Golf Services - Special Operating Agency and Winnipeg Parking Authority - Special Operating Agency commenced operations on January 1, 2002 and January 1, 2005, respectively. The City sold assets, including land, to these Agencies. The gain on the sale of these assets is being realized over the same time period as the assets are being amortized by the Agencies.

### **k) Tax Revenue**

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the revenues, expenses, assets and liabilities with respect to the operations of the school boards.

Property taxation revenue is based on market assessments that are subject to appeal therefore, a provision has been estimated for assessment appeals outstanding as at December 31. As well, estimates have been made of property tax amounts owing for prior years that have not yet been assessed at the end of the current fiscal year. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material (Note 2n).

## 1. *Significant Accounting Policies (continued)*

### 1) **Government transfers**

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

## 2. *Status of the General Revenue Fund*

The City is a municipality which was created on January 1, 1972, pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, urban planning, parks and recreation.

The City is required by The Public Schools Act to bill, collect and remit provincial education support and school division special levies on behalf of the Province of Manitoba and the school divisions. The City also bills, collects and remits taxes on behalf of business improvement zones. The City has no jurisdiction or control over the school divisions' or business improvement zones' operations or their mill rate increases and therefore, the financial statements of these entities do not form part of the General Revenue Fund's financial statements.

## 3. *Cash and Cash Equivalents*

|                                       | <b>2013</b>       | 2012       |
|---------------------------------------|-------------------|------------|
| Bank balance, net of other cash items | \$ <b>2,760</b>   | \$ 3,916   |
| Cash equivalents                      | <b>618,645</b>    | 485,462    |
|                                       | <b>\$ 621,405</b> | \$ 489,378 |

Cash equivalents have an effective average interest rate of 1.3% (2012 - 1.3%).

## 4. *Accounts Receivable*

|   | <b>2013</b>      | 2012      |
|---|------------------|-----------|
| Property, payments-in-lieu and business taxes | \$ <b>46,985</b> | \$ 37,960 |
| Allowance for tax arrears                     | <b>(3,694)</b>   | (3,351)   |
|   | <b>43,291</b>    | 34,609    |
| Trade accounts and other receivables          | <b>28,008</b>    | 24,815    |
| Province of Manitoba                          | <b>24,664</b>    | 20,155    |
| Government of Canada                          | <b>4,759</b>     | 15,811    |
| Accrued interest receivable                   | <b>1,812</b>     | 1,668     |
| Allowance for doubtful accounts               | <b>(5,135)</b>   | (4,594)   |
|   | <b>54,108</b>    | 57,855    |
|   | <b>\$ 97,399</b> | \$ 92,464 |

## 5. *Investments*

|                       | <u>2013</u>      | <u>2012</u>      |
|-----------------------|------------------|------------------|
| Marketable securities |                  |                  |
| Provincial bonds      | \$ 943           | \$ 912           |
| Municipal bonds       | <u>37,219</u>    | <u>61,644</u>    |
|                       | <u>\$ 38,162</u> | <u>\$ 62,556</u> |

The aggregate market value of marketable securities at December 31, 2012 is \$38.6 million (2012 - \$63.7 million).

## 6. *Contributed Surplus and Other Assets*

|  | <u>2013</u>      | <u>2012</u>      |
|--|------------------|------------------|
| Contributed surpluses:   |                  |                  |
| Golf Services - Special Operating Agency   | \$ 20,090        | \$ 20,090        |
| Land Operating Reserve   | 8,425            | 8,425            |
| Winnipeg Parking Authority - Special Operating Agency  | 172              | 172              |
| Loans receivable:  |                  |                  |
| Winnipeg Parking Authority - Special Operating Agency, start-up loan with no specific terms of repayment                                   | 3,918            | 3,918            |
| Golf Services - Special Operating Agency, interest at 6%, repayable in annual payments of \$208 thousand, including interest and principal | 2,963            | 2,992            |
| Deferred election costs  | -                | 583              |
|  | <u>\$ 35,568</u> | <u>\$ 36,180</u> |

Interest revenue received on the loan to Golf Services - Special Operating Agency during the year was \$179 thousand (2012 - \$181 thousand).

Interest revenue received on the loan to Winnipeg Parking Authority - Special Operating Agency during the year was \$nil (2012 - \$nil).

## 7. *Notes Payable*

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 1.0% (2012 - 1.0%). These notes are callable by the issuers.

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| Winnipeg Civic Employees' Benefits Program (Pension Fund) | \$ 147,546        | \$ 54,423         |
| The Civic Employees' Group Life Insurance Plan            | 125,853           | 29,339            |
| Winnipeg Police Pension Plan                              | 41,343            | 22,439            |
| Insurance Reserve   | 4,841             | 5,603             |
| Workers Compensation Reserve                              | 2,633             | 3,367             |
| Sinking Fund  | 796               | 3,458             |
| Perpetual Maintenance Reserve Funds:                      |                   |                   |
| - Brookside Cemetery                                      | 468               | 470               |
| - St. Vital Cemetery                                      | 40                | 5                 |
| - Transcona Cemetery                                      | 25                | 5                 |
| Brady Landfill Site Rehabilitation Reserve                | <u>257</u>        | <u>117</u>        |
|   | <u>\$ 323,802</u> | <u>\$ 119,226</u> |

## 8. *Due to Other Funds*

The City operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Bank transactions are credited or charged to the "Due (from)/to" account in each fund when they are processed through the bank. Where appropriate, interest is credited or charged to other funds based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate.

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| Capital Reserves                                      | \$ 133,207        | \$ 139,655        |
| Financial Stabilization Reserve                       | 85,753            | 80,404            |
| Sewage Disposal System                                | 68,202            | 68,829            |
| Special Purpose Reserves                              | 49,406            | 63,997            |
| General Revenue Enterprises                           | 28,655            | 7,197             |
| Waterworks System                                     | 25,350            | 41,387            |
| Transit System  | 6,823             | 9,061             |
| Solid Waste Disposal                                  | 2,168             | 6,403             |
| Equipment and Material Services                       | 2,119             | 2,099             |
| Municipal Accommodations                              | 1,584             | 10,565            |
| Animal Services - Special Operating Agency            | 734               | 226               |
| Trusts  | 283               | 361               |
| Winnipeg Enterprises Corporation                      | (960)             | (880)             |
| Winnipeg Parking Authority - Special Operating Agency | (1,489)           | 201               |
| Golf Services - Special Operating Agency              | (7,585)           | (6,408)           |
| Fleet Management - Special Operating Agency           | (9,738)           | 1,194             |
| General Capital                                       | (96,900)          | (28,380)          |
|   | <u>\$ 287,612</u> | <u>\$ 395,911</u> |

## 9. *Accounts Payable and Accrued Liabilities*

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| Trade accounts payable  | \$ 55,856         | \$ 49,125         |
| Provincial education support and school division special levies payable | 27,529            | 22,944            |
| Wages and employee benefits payable                                     | 23,465            | 18,479            |
| Other accrued liabilities   | 14,110            | 11,535            |
| Provision for assessment appeals  | 7,350             | 6,452             |
| Accrued interest on long-term debt                                      | 2,302             | 4,039             |
|   | <u>\$ 130,612</u> | <u>\$ 112,574</u> |

## 10. *Deferred Revenue*

|   | <u>2013</u>      | <u>2012</u>      |
|---|------------------|------------------|
| Deferred gain on sale of assets to:                   |                  |                  |
| Golf Services - Special Operating Agency              | \$ 21,675        | \$ 21,775        |
| Winnipeg Parking Authority - Special Operating Agency | 6,356            | 6,617            |
| Province of Manitoba, Federal Government and other    | 5,487            | 4,933            |
| Registration fees                                     | 1,090            | 1,068            |
| Rentals   | 155              | 62               |
|   | <u>\$ 34,763</u> | <u>\$ 34,455</u> |

## 11. Commitments and Contingent Liabilities

The following significant commitments and contingencies existed at December 31, 2013:

### a) Loan guarantees

The City has unconditionally guaranteed the payment of principal and interest on outstanding capital improvement loans for the following organizations:

|   | 2013             | 2012             |
|---|------------------|------------------|
| CentreVenture Development Corporation       | \$ 22,399        | \$ 2,344         |
| Assiniboine Park Conservancy Inc.           | 11,000           | 6,000            |
| Southdale Recreation Association Inc.       | 3,061            | 3,242            |
| Dakota Community Centre Inc.                | 1,454            | 1,613            |
| Winnipeg Housing Rehabilitation Corporation | 1,274            | 293              |
| Garden City Community Centre Inc.           | 595              | 292              |
| Gateway Recreation Centre Inc.              | 423              | 611              |
| Winnipeg Soccer Federation                  | 362              | 409              |
| Winnipeg Enterprises Corporation            | 142              | 425              |
| St. Norbert Community Centre                | 97               | 132              |
| Maples Recreation Association Inc.          | 75               | 113              |
| Glenwood Community Centre Inc.              | 66               | 125              |
| Granite Curling Club                        | 29               | 37               |
|   | <u>\$ 40,977</u> | <u>\$ 15,636</u> |

When an organization has failed to meet debt covenants on existing debt obligations and factors known at the time of reporting are likely to affect the ability of the borrower to repay the loan in the future, then a provision for losses on loan guarantees will be accrued in the financial statements. As at December 31, 2013, an accrual has not been made to the financial statements.

### b) Lawsuits

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2013 cannot be predicted with certainty. The expense is recorded when settlement occurs.

Normal contingent liabilities exist consisting of routine claims for street and sidewalk accidents, property damage, etc.. Any loss will be accounted for to the period in which settlement occurs.

## 12. Taxation

The property tax roll recorded in the General Revenue Fund for the year totalled \$975.2 million (2012 - \$927.6 million). This included school taxes of \$521.6 million (2012 - \$495.0 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were \$59.6 million (2012 - \$55.4 million). Included were payments-in-lieu of school taxes assessed in 2013 of \$28.5 million (2012 - \$26.3 million). School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba and are not reflected as revenues or expenses in these financial statements. When an assessment is reduced the City is compelled by legislation to refund municipal taxes, school taxes and payments-in-lieu of school taxes with applicable interest.

## 12. *Taxation (continued)*

Included in payments-in-lieu of taxes and business taxes are amounts levied against other funds for realty and business taxes. Taxes are assessed on these properties as if they were privately owned. The amounts levied are as follows:

|   | <b>2013</b>      | <b>2012</b>      |
|---|------------------|------------------|
| Sewage Disposal System                                | \$ 8,862         | \$ 8,907         |
| Waterworks System                                     | 2,346            | 2,319            |
| Transit System  | 543              | 542              |
| Winnipeg Parking Authority - Special Operating Agency | 418              | 407              |
| Golf Services - Special Operating Agency              | 263              | 255              |
| Solid Waste Disposal                                  | 7                | 8                |
|   | <b>\$ 12,439</b> | <b>\$ 12,438</b> |

## 13. *General Government Charges from Related Parties*

Included in the sale of goods and services is general government charges levied against other funds for administrative services as follows:

|   | <b>2013</b>     | <b>2012</b>     |
|---|-----------------|-----------------|
| Waterworks System                                     | \$ 988          | \$ 921          |
| Sewage Disposal System                                | 904             | 899             |
| Transit System  | 781             | 777             |
| Municipal Accommodations                              | 606             | 557             |
| Solid Waste Disposal                                  | 135             | 134             |
| Animal Services - Special Operating Agency            | 70              | 71              |
| Winnipeg Parking Authority - Special Operating Agency | 37              | 37              |
| Golf Services - Special Operating Agency              | 16              | 16              |
| Fleet Management - Special Operating Agency           | -               | 22              |
|   | <b>\$ 3,537</b> | <b>\$ 3,434</b> |

## 14. *Contributions and Appropriations to Related Parties*

In addition to those disclosed elsewhere in the financial statements, included in the fund's expenses are the following:

Included in Community Services department's expenses are transfers to various funds as follows:

Animal Services - Special Operating Agency net transfer \$1.4 million (2012 - \$1.2 million); Wading and Outdoor Pool Extended Season Reserve \$536 thousand (2012 - \$279 thousand); and Library Reserve \$nil (2012 - \$50 thousand).

Included in Public Works department's expenses is a transfer to the Insect Control Urgent Expenditures Reserve \$1.7 million (2012 - \$ 2.4 million).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Reserves in the amount of \$241 thousand (2012 - \$265 thousand), a transfer to the Permit Reserve of \$932 thousand (2012 - \$854 thousand) and the Housing Rehabilitation Investment Reserve of \$1.5 million (2012 - \$1.2 million).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes \$237 thousand (2012 - \$257 thousand) from the Financial Stabilization Reserve, \$287 thousand (2012 - \$255 thousand) from the Special Purpose Reserves, \$360 thousand (2012 - \$300 thousand) from the Capital Reserves, and \$62 thousand (2012 - \$45 thousand) from the Sinking Fund.

#### **14. Contributions and Appropriations to Related Parties (continued)**

Included in government affairs, pension contribution and other expenses during 2013 is a \$94 thousand (2012 - \$93 thousand) transfer from the Municipal Accommodations Fund.

Included in various expense categories are the following: during 2013 a transfer of \$60.2 million to the Municipal Accommodations Fund (2012 - \$57.4 million); a transfer to the Computer Replacement Reserve of \$645 thousand (2012 - \$870 thousand); a transfer to the General Capital Fund of \$60.1 million (2012 - \$56.1 million) to fund capital projects; a contribution to the Commitment Reserve of \$2.9 million (2012 - \$3.5 million); a transfer to the Insurance Reserve of \$1.2 million (2012 - \$1.2 million); a transfer from the General Capital Fund of \$7.8 million (2012 - to \$1.1 million) for capital expenditures; a transfer to the Waterworks System Fund of \$125 thousand (2012 - \$128 thousand) and a transfer to Local Streets Renewal Reserve of \$4.5 million (2012- nil).

#### **15. Pension Costs and Obligations**

##### **a) Winnipeg Civic Employees' Benefits Pension and Winnipeg Police Pension Plans**

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans. The City allocates its benefit costs to various departments. During the year \$48.3 million (2012 - \$40.9 million) of benefit costs were allocated to the General Revenue Fund.

##### **b) Councillors' Pension Plan Established Under By-Law No. 3553/83**

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. These benefits are recorded when paid. The unrecorded benefits liability at December 31, 2012 has been estimated to be \$3.9 million (2012 - \$3.9 million). In 2013, the City paid out \$0.3 million (2012 - \$0.4 million).

##### **c) Council Pension Benefits Program Established Under By-Law No. 7869/2001**

The City of Winnipeg Council Pension Benefits Program (formerly the Councillors' Pension Plan) was established July 18, 2001 by The City of Winnipeg Council Pension Plan By-Law No. 7869/2001, which deemed the Program to have come into existence on January 1, 2001. The Program is a defined benefit pension plan, which provides pension benefits for City of Winnipeg Council members. All members of City Council were required to become members of the Program on January 1, 2001.

In 2013, the City paid out \$1.1 million (2012 - \$0.3 million).

#### **16. Other Employee Benefits**

- a) Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$78.3 million (2012 - \$78.3 million).
- b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2013 is estimated at \$10.4 million (2012 - \$9.5 million).
- c) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2013 is estimated at \$37.0 million (2012 - \$34.5 million).



**16. Other Employee Benefits (continued)**

- d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2013 is estimated at \$9.4 million (2012 - \$11.0 million).
- e) Employees of the City who are members of the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan respectively. These plans provide life insurance for members while employed and can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance. An actuarial valuation indicated that this post-retirement liability is fully funded.

**17. Related Party Transactions**

Included in these financial statements are revenue and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the General Revenue Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

# THE CITY OF WINNIPEG GENERAL REVENUE FUND

Schedule 1

## REVENUES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|   | 2013<br>Budget | 2013<br>Actual | 2012<br>Actual |
|---|----------------|----------------|----------------|
| <b>Taxation</b>                                 |                |                |                |
| Municipal realty tax                            | \$ 453,880     | \$ 453,682     | \$ 432,584     |
| Business and licenses-in-lieu of business taxes | 56,412         | 56,412         | 55,629         |
| Frontage levy                                   | 41,400         | 41,524         | 41,227         |
| Electricity and natural gas sales taxes         | 18,332         | 18,995         | 17,984         |
| Entertainment tax                               | 1,800          | 2,219          | 2,078          |
| Local improvement tax                           | 1,530          | 1,408          | 1,549          |
| Billboard tax                                   | 201            | 414            | 203            |
| Licenses-in-lieu of realty tax                  | 361            | 364            | 362            |
| Local improvement tax commuted                  | 100            | 324            | 252            |
|   | <b>574,016</b> | <b>575,342</b> | <b>551,868</b> |
| <b>Government transfers</b>                     |                |                |                |
| Provincial                                      |                |                |                |
| Building Manitoba Fund                          | 56,603         | 56,604         | 56,604         |
| Unconditional                                   | 19,888         | 19,888         | 19,888         |
| Casino  | 10,844         | 11,744         | 10,844         |
| Ambulance                                       | 8,574          | 10,415         | 5,337          |
| Support   | 8,924          | 9,226          | 8,748          |
| Video lottery terminal                          | 7,106          | 7,106          | 7,106          |
| Emergency medical services                      | 5,750          | 5,750          | 5,750          |
| Other   | 5,950          | 5,598          | 9,204          |
| Assessment                                      | 3,000          | 3,000          | 3,000          |
| Larviciding                                     | 2,300          | 2,300          | 2,300          |
| Libraries                                       | 2,010          | 2,010          | 2,010          |
| Policing  | 2,000          | 2,000          | 2,000          |
| Policing - helicopter                           | 1,533          | 1,516          | 1,328          |
| Dutch elm disease control                       | 1,550          | 1,000          | 1,000          |
| Main Street project                             | 653            | 882            | 450            |
| Services transferred to the Province            | (23,650)       | (23,650)       | (23,650)       |
|   | <b>113,035</b> | <b>115,389</b> | <b>111,919</b> |
| Federal government                              | <b>15</b>      | <b>445</b>     | <b>8</b>       |
|   | <b>113,050</b> | <b>115,834</b> | <b>111,927</b> |
| <b>Sale of goods and services</b>               | <b>67,782</b>  | <b>66,127</b>  | <b>66,048</b>  |

# THE CITY OF WINNIPEG GENERAL REVENUE FUND

Schedule 1

## REVENUES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | 2013<br>Budget | 2013<br>Actual | 2012<br>Actual |
|--|----------------|----------------|----------------|
| <b>Regulation fees</b>                                   |                |                |                |
| Permits and fees   | 19,566         | 23,809         | 21,497         |
| Fines  | 18,502         | 16,639         | 16,292         |
| Tax penalties  | 6,850          | 7,188          | 6,834          |
| Licenses   | 2,423          | 2,430          | 2,850          |
|  | <b>47,341</b>  | <b>50,066</b>  | <b>47,473</b>  |
| <b>Contributions and transfers</b>                       |                |                |                |
| Sewage Disposal System                                   | 14,293         | 13,694         | 14,198         |
| General Purpose Reserve                                  | 12,500         | 12,500         | 10,700         |
| Land Operating Reserve                                   | 6,935          | 6,935          | 6,119          |
| Financial Stabilization Reserve                          | 4,000          | 5,757          | 8,800          |
| Municipal Accommodations (Note 14)                       | 2,908          | 1,533          | 3,186          |
| Insect Control Urgent Expenditure Reserve                | 1,300          | 1,300          | 2,200          |
| Workers Compensation Reserve                             | 1,000          | 1,000          | -              |
| Permit Reserve   | 300            | 945            | 884            |
| Heritage Investment Reserve                              | 820            | 820            | 1,000          |
| Transit System   | 782            | 782            | 782            |
| Waterworks System  | 672            | 696            | 679            |
| Insurance Reserve  | 500            | 500            | 1,000          |
| Housing Rehabilitation Reserve                           | 340            | 340            | -              |
| Solid Waste Disposal                                     | -              | -              | 810            |
| Winnipeg Parking Authority -<br>Special Operating Agency | 135            | 177            | 177            |
| Fleet Management - SOA                                   | -              | 63             | -              |
| Destination Marketing Reserve                            | 60             | 60             | 60             |
| General Capital Fund                                     | -              | 47             | -              |
| Golf Services - Special Operating Agency                 | 41             | 41             | 81             |
| Transfer from Animal services                            | -              | 7              | -              |
|  | <b>46,586</b>  | <b>47,197</b>  | <b>50,676</b>  |
| <b>Payments-in-lieu of taxes</b>                         | <b>30,964</b>  | <b>31,144</b>  | <b>29,076</b>  |
| <b>Investment and other interest</b>                     |                |                |                |
| Dividend - Sewage Disposal System                        | 11,474         | 11,473         | 10,708         |
| Dividend - Waterworks System                             | 7,764          | 7,764          | 7,223          |
| Dividend - Fleet   | 2,750          | 2,750          | -              |
| Interest earned  | 3,181          | 2,608          | 3,620          |
| Interest capitalized                                     | 975            | 2,333          | 1,589          |
| Debt charges recovered                                   | 425            | 424            | 436            |
|  | <b>26,569</b>  | <b>27,352</b>  | <b>23,576</b>  |

**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

**Schedule 1**

**REVENUES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
| <b>Sale of Winnipeg Hydro and other</b>        |                        |                        |                        |
| Manitoba Hydro                                 | <b>16,000</b>          | <b>16,000</b>          | 16,000                 |
| Accounts payable write-offs, commissions, etc. | <b>364</b>             | <b>1,495</b>           | 1,970                  |
|  | <b>16,364</b>          | <b>17,495</b>          | 17,970                 |
| <b>Total Revenues</b>                          | <b>\$ 922,672</b>      | <b>\$ 930,557</b>      | \$ 898,614             |

**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

**Schedule 2**

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
| <b>Protection and community services</b> |                        |                        |                        |
| Police services                          | \$ 242,548             | \$ 243,392             | \$ 225,950             |
| Fire paramedic service                   | 167,888                | 172,670                | 153,754                |
| Community services                       | 110,449                | 108,504                | 111,122                |
| Museums                                  | 979                    | 979                    | 1,088                  |
|  | <b>521,864</b>         | <b>525,545</b>         | <b>491,914</b>         |
| <b>Public works</b>                      |                        |                        |                        |
| Public works                             | 181,976                | 195,746                | 169,323                |
| Water and waste                          | 33,703                 | 31,907                 | 41,628                 |
| Street lighting                          | 11,618                 | 11,357                 | 10,891                 |
|  | <b>227,297</b>         | <b>239,010</b>         | <b>221,842</b>         |
| <b>Finance and administration</b>        |                        |                        |                        |
| Corporate support services               | 32,390                 | 32,203                 | 30,871                 |
| Assessment and taxation                  | 18,209                 | 17,530                 | 18,167                 |
| City clerks                              | 10,931                 | 10,671                 | 10,362                 |
| Corporate finance                        | 9,411                  | 8,558                  | 7,633                  |
| Council                                  | 4,024                  | 3,746                  | 3,266                  |
| Legal services                           | 2,598                  | 2,582                  | 2,419                  |
| Chief administrative offices             | 1,890                  | 1,814                  | 1,552                  |
| Mayor's office                           | 1,672                  | 1,564                  | 1,884                  |
| Audit                                    | 915                    | 894                    | 1,372                  |
| Policy development and communications    | 582                    | 229                    | -                      |
|  | <b>82,622</b>          | <b>79,791</b>          | <b>77,526</b>          |
| <b>Contribution to Transit System</b>    | <b>45,849</b>          | <b>45,888</b>          | <b>46,279</b>          |
| <b>Property and development</b>          |                        |                        |                        |
| Planning, property and development       | 42,064                 | 44,596                 | 45,913                 |
| <b>Employee benefits and payroll tax</b> |                        |                        |                        |
| Provincial payroll tax                   | 8,833                  | 9,725                  | 9,227                  |
| Employee benefits                        | 4,785                  | 3,463                  | 3,495                  |
|  | <b>13,618</b>          | <b>13,188</b>          | <b>12,722</b>          |

**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

**Schedule 2**

**EXPENSES**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
| <b>Debt and finance charges</b>                    |                        |                        |                        |
| Transfer to General Capital Fund                   | <b>36,432</b>          | <b>35,824</b>          | 39,506                 |
| Other interest and finance charges                 | <b>1,392</b>           | <b>150</b>             | 540                    |
| Transfer to departments                            | <b>(34,670)</b>        | <b>(34,670)</b>        | (37,781)               |
|  | <b>3,154</b>           | <b>1,304</b>           | 2,265                  |
| <b>Grants and payments to other authorities</b>    | <b>18</b>              | <b>18</b>              | 535                    |
| <b>Other</b>                                       |                        |                        |                        |
| Insurance and damage claims                        | <b>3,700</b>           | <b>3,700</b>           | 3,868                  |
| Government affairs, pension contribution and other | <b>(17,514)</b>        | <b>(22,483)</b>        | (20,108)               |
|  | <b>(13,814)</b>        | <b>(18,783)</b>        | (16,240)               |
| <b>Contribution to</b>                             |                        |                        |                        |
| General Purpose Reserve                            | -                      | -                      | 15,858                 |
| <b>Total Expenses</b>                              | <b>\$ 922,672</b>      | <b>\$ 930,557</b>      | <b>\$ 898,614</b>      |

**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

**Schedule 3**

**EXPENSES BY OBJECT**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
| Salaries and employee benefits   | \$ 513,885             | \$ 519,649             | \$ 487,186             |
| Transfers to other Funds   | 163,075                | 173,824                | 186,394                |
| Services   | 129,987                | 137,052                | 124,742                |
| Materials, parts and supplies  | 39,478                 | 39,319                 | 38,027                 |
| Debt and finance charges - departmental and corporate                    | 38,456                 | 38,172                 | 40,725                 |
| Grants and payments<br>to other authorities - departmental and corporate | 30,002                 | 30,875                 | 29,366                 |
| Municipal tax, amortization and other                                    | 19,452                 | 11,753                 | 10,926                 |
| Provincial payroll tax   | 8,829                  | 9,728                  | 9,227                  |
| Assets - purchases and renovations                                       | 7,484                  | 6,282                  | 5,809                  |
| Recoveries   | (27,976)               | (36,097)               | (33,788)               |
|  | <b>\$ 922,672</b>      | <b>\$ 930,557</b>      | <b>\$ 898,614</b>      |

# THE CITY OF WINNIPEG GENERAL REVENUE FUND

## Schedule 4

### SCHOOL TAXES LEVIED

*For the years ended December 31  
(unaudited)*

In addition to the tax revenues required to be raised for Municipal purposes, City Council under the continuing provisions of The Public Schools Act, must fix and impose taxes sufficient to meet that portion of the cost of education that is to be raised through levies on assessable property within the City of Winnipeg.

The amounts that were required to be raised in 2013 included the City's share of the Province's Education Support Program and the requirements of the school divisions (located wholly or in part within the City) representing the portion of their costs that were determined to be the entire responsibility of the City. Levies for 2013 with 2012 comparative figures are as follows:

|  | 2013                  | 2012                  |
|--|-----------------------|-----------------------|
| <b>Provincial education support program levy</b> |                       |                       |
| Other property                                   | \$ 92,318,363         | \$ 88,881,162         |
| <b>Special levies (by school division)</b>       |                       |                       |
| Winnipeg   | 153,227,298           | 142,601,898           |
| Louis Riel                                       | 78,479,139            | 74,069,144            |
| Pembina Trails                                   | 77,164,484            | 73,353,797            |
| River East - Transcona                           | 62,031,512            | 59,803,668            |
| St. James - Assiniboia                           | 45,244,214            | 42,906,652            |
| Seven Oaks                                       | 37,508,875            | 35,854,424            |
| Seine River                                      | 4,033,709             | 3,820,916             |
| Interlake  | 31,439                | 30,570                |
|  | <b>457,720,670</b>    | <b>432,441,069</b>    |
|  | <b>\$ 550,039,033</b> | <b>\$ 521,322,231</b> |
| <b>Allocated as follows:</b>                     |                       |                       |
| Realty taxes                                     | \$ 521,558,454        | \$ 495,024,642        |
| Payments-in-lieu of taxes                        | 28,480,579            | 26,297,589            |
|  | <b>\$ 550,039,033</b> | <b>\$ 521,322,231</b> |



# THE CITY OF WINNIPEG GENERAL REVENUE FUND

Schedule 5

## 2013 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

As at April 12, 2013  
(unaudited)

|                                    | Portion | Taxable                  | Exempt<br>Subject to<br>Payments-in-Lieu | Exempt                  | Total                    |
|------------------------------------|---------|--------------------------|--|-------------------------|--------------------------|
| Residential 1                      | 45.0%   | \$ 19,146,184,830        | \$ 57,729,510                            | \$ 41,318,091           | \$ 19,245,232,431        |
| Residential 2                      | 45.0%   | 2,332,194,202            | 278,881,830                              | 2,770,830               | 2,613,846,862            |
| Residential 3                      | 45.0%   | 1,404,949,500            | -  | 93,150                  | 1,405,042,650            |
| Farm                               | 26.0%   | 30,340,352               | 3,876,431                                | 30,460,508              | 64,677,291               |
| Institutional                      | 65.0%   | 634,178,597              | 73,180,900                               | 1,409,516,843           | 2,116,876,340            |
| Pipelines                          | 50.0%   | 13,564,000               | -  | -                       | 13,564,000               |
| Railways                           | 25.0%   | 52,965,693               | -  | -                       | 52,965,693               |
| Designated recreational facilities | 10.0%   | 10,701,420               | 641,930                                  | 1,887,140               | 13,230,490               |
| Other                              | 65.0%   | 6,908,437,254            | 756,670,396                              | 1,068,255,492           | 8,733,363,142            |
| Legislative building               | 65.0%   | -                        | 8,739,349                                | -                       | 8,739,349                |
|                                    |         | <u>\$ 30,533,515,848</u> | <u>\$ 1,179,720,346</u>                  | <u>\$ 2,554,302,054</u> | <u>\$ 34,267,538,248</u> |

## THE CITY OF WINNIPEG

### GENERAL REVENUE ENTERPRISES FUND

The General Revenue Enterprises Fund was originally created to account for commercial activities in which The City of Winnipeg was in competition with the private sector. However, over time these activities are now recorded in various other funds. Meanwhile, the use of this Fund has been expanded to include programs funded by grants from the senior levels of government or by their own revenue sources. These programs include Libraries Book Replacement and Literacy Centre Collection, Historical Buildings and Riverbanks Administration.

#### FIVE-YEAR REVIEW

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|  | <u>2013</u>      | <u>2012</u>     | <u>2011</u>       | <u>2010</u>     | <u>2009</u>   |
|--|------------------|-----------------|-------------------|-----------------|---------------|
| Internal service operations<br>and other programs: |                  |                 |                   |                 |               |
| Revenues   | \$ 25,172        | \$ 6,262        | \$ 4,429          | \$ 6,155        | \$ 4,526      |
| Expenditures                                       | <u>4,781</u>     | <u>5,203</u>    | <u>5,855</u>      | <u>3,882</u>    | <u>4,107</u>  |
| Surplus/(Deficit)                                  | <u>\$ 20,391</u> | <u>\$ 1,059</u> | <u>\$ (1,426)</u> | <u>\$ 2,273</u> | <u>\$ 419</u> |

**THE CITY OF WINNIPEG  
GENERAL REVENUE ENTERPRISES FUND**

**STATEMENT OF FINANCIAL POSITION**

*As at December 31  
(in thousands of dollars)  
(unaudited)*

|  | <u>2013</u>      | <u>2012</u>     |
|--|------------------|-----------------|
| <b>ASSETS</b>                          |                  |                 |
| Current                                |                  |                 |
| Due from General Revenue Fund (Note 3) | \$ 28,655        | \$ 7,197        |
|  | <u>\$ 28,655</u> | <u>\$ 7,197</u> |
| <br><b>LIABILITIES</b>                 |                  |                 |
| Current                                |                  |                 |
| Deferred revenue                       | \$ 3,314         | \$ 2,246        |
| <br><b>RETAINED EQUITY</b>             | <u>25,341</u>    | <u>4,951</u>    |
|  | <u>\$ 28,655</u> | <u>\$ 7,197</u> |

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
GENERAL REVENUE ENTERPRISES FUND**

**STATEMENT OF OPERATIONS AND RETAINED EQUITY**

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <b>2013</b> | 2012     |
|---|-------------|----------|
| <b>REVENUES</b>                           |             |          |
| Transfer from Land Operating Reserve      | \$ 20,569   | \$ 609   |
| Permits and fees                          | 4,547       | 5,601    |
| Sales of goods and services               | 55          | 52       |
|   | <hr/>       | <hr/>    |
| Total Revenues                            | 25,171      | 6,262    |
|   | <hr/>       | <hr/>    |
| <b>EXPENDITURES</b>                       |             |          |
| Street cuts operations                    | 3,931       | 4,761    |
| Real estate enterprises                   | 700         | 345      |
| Riverbank management operations           | 105         | 59       |
| Libraries programs                        | 45          | 38       |
|   | <hr/>       | <hr/>    |
| Total Expenditures (Note 4)               | 4,781       | 5,203    |
|   | <hr/>       | <hr/>    |
| <b>SURPLUS FROM OPERATIONS</b>            | 20,390      | 1,059    |
|   | <hr/>       | <hr/>    |
| <b>RETAINED EQUITY, BEGINNING OF YEAR</b> | 4,951       | 3,892    |
|   | <hr/>       | <hr/>    |
| <b>RETAINED EQUITY, END OF YEAR</b>       | \$ 25,341   | \$ 4,951 |
|   | <hr/>       | <hr/>    |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG

## GENERAL REVENUE ENTERPRISES FUND

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

#### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of the accounting policies summarized below.

##### a) Basis of presentation

General Revenue Enterprises Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

##### b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

##### c) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

#### 2. Status of the General Revenue Enterprises Fund

The General Revenue Enterprises Fund was originally created to account for commercial activities in which The City of Winnipeg was in competition with the private sector. However, over time the majority of these activities are now recorded in various other funds. Meanwhile, the use of this Fund has been expanded to include programs funded by grants from the senior levels of government or by their own revenue sources.

#### 3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank.

#### 4. Expenditures by Object

|                    | 2013            | 2012            |
|--------------------|-----------------|-----------------|
| Goods and services | \$ 4,136        | \$ 4,892        |
| Grants             | 645             | 311             |
|                    | <u>\$ 4,781</u> | <u>\$ 5,203</u> |

## THE CITY OF WINNIPEG GENERAL CAPITAL FUND

The General Capital Fund was created to account for tax-supported capital transactions of The City of Winnipeg. The capital program includes, but is not limited to, the acquisition and/or construction of streets, bridges, land drainage, parks and recreation facilities, police and fire department facilities, library facilities, civic buildings, major computer programs and related equipment and local improvements.

By December 31 of each year, City Council is required under The City of Winnipeg Charter to approve a budget for the General Capital Fund. The 2013 budget for the General Capital Fund of \$208.5 million was a 21.8% decrease from the 2012 budget of \$266.6 million. Capital expenditures in 2013 relating to 2013 and previous years capital budgets, decreased from \$479.9 million in 2012 to \$334.0 million in 2013.

Of the \$334.0 million of total capital expenditures, \$111.3 million was for Roads and Bridges, \$82.4 million related to Buildings, \$40.1 million was for Water and Waste infrastructure, and \$20.7 million related to Other assets.

Included in the additions to major Roads and Bridges, Buildings and Water and Waste infrastructure projects during the year were the following:

|                                    |    |      |         |
|------------------------------------|----|------|---------|
| - Developer contributions-in-kind  | \$ | 67.4 | million |
| - East Yard Complex Development    | \$ | 49.2 | million |
| - Local Streets Renewal program    | \$ | 24.1 | million |
| - West District Police Station     | \$ | 17.8 | million |
| - Disraeli Pedestrian Bridge       | \$ | 16.6 | million |
| - Regional Streets Renewal program | \$ | 13.3 | million |
| - Sturgeon Road Bridge             | \$ | 11.7 | million |
| - Combined Sewer Flood Relief      | \$ | 8.8  | million |
| - Fire Station                     | \$ | 6.1  | million |

# THE CITY OF WINNIPEG

## GENERAL CAPITAL FUND

### FIVE-YEAR REVIEW

December 31

("\$" amounts in thousands of dollars)

(unaudited)

|  | 2013                | 2012                | 2011                | 2010                | 2009                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Tangible Capital Assets</b>           | <b>\$ 3,221,647</b> | <b>\$ 3,015,008</b> | <b>\$ 2,653,033</b> | <b>\$ 2,474,503</b> | <b>\$ 2,411,176</b> |
| % change in tangible capital assets      | <b>6.85%</b>        | 13.64%              | 7.21%               | 2.63%               | 4.26%               |
| <b>Debt</b>                              |                     |                     |                     |                     |                     |
| Net Sinking Fund, serial and installment | \$ 253,163          | \$ 224,011          | \$ 129,136          | \$ 137,636          | \$ 165,256          |
| Other long-term debt                     | <b>223,046</b>      | 232,408             | 111,966             | 43,338              | 48,833              |
| Total long-term debt                     | <b>\$ 476,209</b>   | <b>\$ 456,419</b>   | <b>\$ 241,102</b>   | <b>\$ 180,974</b>   | <b>\$ 214,089</b>   |
| % change in total debt                   | <b>4.34%</b>        | 89.31%              | 33.22%              | (15.47%)            | (0.52%)             |
| External Debt as a % of Total Debt       | <b>100.00%</b>      | 100.00%             | 100.00%             | 100.00%             | 100.00%             |
| <b>Interest Expense</b>                  |                     |                     |                     |                     |                     |
| Internal (1)                             | \$ -                | \$ -                | \$ -                | \$ 28,055           | \$ 28,385           |
| External                                 | <b>30,081</b>       | 25,267              | 17,254              | 20,184              | 25,085              |
| Interest Expense                         | <b>\$ 30,081</b>    | <b>\$ 25,267</b>    | <b>\$ 17,254</b>    | <b>\$ 48,239</b>    | <b>\$ 53,470</b>    |
| % change in external interest expense    | <b>19.05%</b>       | 46.44%              | (14.52%)            | (19.54%)            | (9.11%)             |

### Summary of Cash Flows

|  |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| Operating activities                       | \$ 237,256   | \$ 214,038   | \$ 210,369   | \$ 155,785   | \$ 188,369   |
| Long-term debt (retired) issued, net       | \$ (1,758)   | \$ 225,611   | \$ (402,594) | \$ 13,791    | \$ 35,022    |
| Payments to The Sinking Fund Trustees, net | \$ 33,876    | \$ (4,892)   | \$ (4,702)   | \$ (4,704)   | \$ (8,272)   |
| Due from/to General Revenue Fund           | \$ 68,520    | \$ 43,133    | \$ (23,594)  | \$ 10,154    | \$ (21,478)  |
| Capital acquisitions                       | \$ (334,055) | \$ (479,931) | \$ (284,174) | \$ (169,951) | \$ (189,153) |
| Other                                      | \$ (3,839)   | \$ 2,041     | \$ 504,695   | \$ (5,075)   | \$ (4,488)   |

- (1) Effective January 1, 2011, the Equity in Capital Assets Fund was dissolved and the related outstanding debt was consolidated into the General Capital Fund

# THE CITY OF WINNIPEG

## GENERAL CAPITAL FUND

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| <b><i>FINANCIAL ASSETS</i></b>                      |                            |                            |
| Accounts receivable (Note 4)                        | \$ 42,710                  | \$ 29,252                  |
| Capital loans receivable (Note 5)                   | <u>23,360</u>              | <u>21,152</u>              |
|   | <u>66,070</u>              | <u>50,404</u>              |
| <b><i>LIABILITIES</i></b>                           |                            |                            |
| Due to General Revenue Fund (Note 3)                | 96,900                     | 28,380                     |
| Accounts payable and accrued liabilities (Note 6)   | 35,771                     | 13,490                     |
| Deferred revenue                                    | 13,819                     | 16,052                     |
| Deferred revenue related to capital assets (Note 7) | 10,278                     | 20,162                     |
| Debt (Note 8)                                       | 476,209                    | 456,419                    |
| Deferred liabilities                                | 1,845                      | 1,991                      |
| Developer deposits                                  | <u>11,071</u>              | <u>8,599</u>               |
|   | <u>645,893</u>             | <u>545,093</u>             |
| <b><i>NET FINANCIAL LIABILITIES</i></b>             | <u>(579,823)</u>           | <u>(494,689)</u>           |
| <b><i>NON-FINANCIAL ASSETS</i></b>                  |                            |                            |
| Tangible capital assets (Note 9)                    | 3,221,647                  | 3,015,008                  |
| Prepaid expenses                                    | <u>1,700</u>               | <u>15,281</u>              |
|   | <u>3,223,347</u>           | <u>3,030,289</u>           |
| <b><i>ACCUMULATED SURPLUS (Note 10)</i></b>         | <u><u>\$ 2,643,524</u></u> | <u><u>\$ 2,535,600</u></u> |
| Commitments (Note 11)                               |                            |                            |

*See accompanying notes and schedules to the financial statements*



# THE CITY OF WINNIPEG

## GENERAL CAPITAL FUND

### STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|  | <b>2013</b>         | 2012         |
|--|---------------------|--------------|
| <b>REVENUES</b>  |                     |              |
| Capital funding recognized (Note 7)                      | \$ 80,385           | \$ 77,929    |
| Transfers from other City of Winnipeg Funds (Schedule 2) | 60,091              | 61,081       |
| Transfer from General Revenue Fund                       |                     |              |
| Debt and finance   | 35,824              | 39,506       |
| Other  | 3,223               | 5,210        |
| Developer contributions-in-kind                          | 67,391              | 44,398       |
| Province of Manitoba capital transfer                    | 37,699              | 44,985       |
| Government of Canada capital transfer                    | 7,626               | 5,868        |
| Interest income  | 4,892               | 6,106        |
| Developer deposit  | 579                 | 532          |
| Other  | 6,217               | 3,748        |
|  | <b>303,927</b>      | 289,363      |
| <b>EXPENSES</b>  |                     |              |
| Amortization   | 116,453             | 109,457      |
| Interest - External debt                                 | 30,081              | 25,267       |
| Grants   | 22,296              | 14,742       |
| Transfers to other City of Winnipeg Funds (Schedule 2)   | 13,623              | 6,583        |
| Infrastructure maintenance                               | 12,954              | 8,911        |
| Loss on disposal of tangible capital assets              | 266                 | 4,812        |
| Other  | 330                 | 1,073        |
|  | <b>196,003</b>      | 170,845      |
| <b>NET SURPLUS FOR THE YEAR</b>                          | <b>107,924</b>      | 118,518      |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>            | <b>2,535,600</b>    | 2,417,082    |
| <b>ACCUMULATED SURPLUS, END OF YEAR (Note 10)</b>        | <b>\$ 2,643,524</b> | \$ 2,535,600 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG GENERAL CAPITAL FUND

## STATEMENT OF CASH FLOWS

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|   | <u>2013</u>      | <u>2012</u> |
|---|------------------|-------------|
| <b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>                                   |                  |             |
| <b><i>OPERATING</i></b>   |                  |             |
| Net surplus for the year  | \$ 107,924       | \$ 118,518  |
| Non-cash charges to operations  |                  |             |
| Amortization  | 116,453          | 109,457     |
| Loss on disposal of tangible capital assets   | 266              | 4,812       |
|   | <u>224,643</u>   | 232,787     |
| Working capital from operations   | 22,404           | (8,466)     |
| Net change in working capital   | (9,791)          | (10,283)    |
| Net change in deferred liabilities, deferred revenue and developer deposits                                       | <u>237,256</u>   | 214,038     |
| <b><i>FINANCING</i></b>   |                  |             |
| Debt issued   | 58,074           | 244,738     |
| Debenture debt retired  | (59,832)         | (19,127)    |
| Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees") | (4,892)          | (6,106)     |
| Payments to The Sinking Fund Trustees for outstanding long-term debt  | 33,876           | (4,892)     |
| Capital loans receivable  | (2,208)          | 3,756       |
| Due to General Revenue Fund   | 68,520           | 43,133      |
| Other   | (7,436)          | 704         |
|   | <u>86,102</u>    | 262,206     |
| <b><i>INVESTING</i></b>   |                  |             |
| Net purchase of capital assets (Schedule 1)   | (334,055)        | (479,931)   |
| Net proceeds on disposal of tangible capital assets   | 10,697           | 3,687       |
|   | <u>(323,358)</u> | (476,244)   |
| Cash, end of year   | <u>\$ -</u>      | <u>\$ -</u> |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG GENERAL CAPITAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### a) Basis of presentation

The General Capital Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The General Capital Fund was created to account for all financial transactions related to the City's tax-supported capital budget (excluding Transit).

#### b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting.

#### c) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

|   |                 |
|---|-----------------|
| Land improvements                       | 15 years        |
| Buildings                               | 10 to 50 years  |
| Machinery and equipment                 | 10 years        |
| Vehicles                                | 5 to 10 years   |
| Computer hardware and software          | 5 to 10 years   |
| Water and waste                         |                 |
| Underground networks                    | 75 to 100 years |
| Flood stations and other infrastructure | 50 to 75 years  |
| Transportation                          |                 |
| Roads                                   | 10 to 50 years  |
| Bridges and structures                  | 25 to 75 years  |

Assets under construction are not amortized until the asset is available for productive use.

In certain circumstances, capital project work is charged an administration fee equal to 1% of specific costs of the project to a maximum of \$100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost funded by The City of Winnipeg.

## **1. Significant Accounting Policies (continued)**

### **d) Deferred revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the acquisition and construction of tangible capital assets.

Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

### **e) Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

### **f) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

### **g) Service concession arrangement**

Service concession arrangements are long-term performance-based approaches for procuring public infrastructure, where the City contracts with a private sector partner who assumes a major share of the responsibility for the delivery of the infrastructure. The operator is compensated over the period of the arrangements. The arrangements are governed by a contract that sets out performance standards and mechanisms for adjusting prices. The contract is binding on the parties to the arrangement and obliges the operator to maintain the tangible capital asset on behalf of the City.

In the case of tangible capital assets, where the operator bears the construction risk, the timing of initial recognition of the service concession asset by the City will be when the tangible capital asset is available for productive use.

### **h) Deferred liabilities**

Deferred liabilities consist of developer repayments as well as contributions received but not yet earned. Under the terms of development agreements, the City is required to repay developers for local improvements installed which benefit property outside the development area.

### **i) Revenue recognition**

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

## 1. *Significant Accounting Policies (continued)*

### j) **Debt and finance charges**

Tax-supported tangible capital assets, including those financed by debt, are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the General Revenue Fund and the interest expense is recorded in the General Capital Fund. On January 1, 2011, the Equity in Capital Assets Fund was consolidated into the General Capital Fund eliminating the internal debt along with the related internal principal and interest.

## 2. *Status of the General Capital Fund*

The General Capital Fund was created to account for tax-supported capital transactions (excluding Transit) of the City of Winnipeg. The capital program includes, but is not limited to, the acquisition and/or construction of streets, bridges, land drainage, parks and recreation facilities, police and fire department facilities, library facilities, civic buildings, major computer programs and related equipment and local improvements, to name a few.

## 3. *Due (to) from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due (to) from" account when they are processed through the bank. The General Capital Fund charges interim financing on individual capital projects and credits the interest to the General Revenue Fund.

## 4. *Accounts Receivable*

|                                     | <u>2013</u>      | <u>2012</u>      |
|-------------------------------------|------------------|------------------|
| Province of Manitoba                | \$ 31,616        | \$ 23,513        |
| Government of Canada                | 4,911            | 3,307            |
| Local improvements - Fairfield Park | 1,358            | 1,516            |
| Other                               | 4,825            | 916              |
|                                     | <u>\$ 42,710</u> | <u>\$ 29,252</u> |

## 5. *Capital Loans Receivable*

At varying maturities up to the year 2032 with a weighted average interest rate for the year 2013 of 6.08% (2012 - 6.21%) due from the following:

|                     | <u>2013</u>      | <u>2012</u>      |
|---------------------|------------------|------------------|
| Transit System      | \$ 23,311        | \$ 21,080        |
| Golf Course Reserve | 49               | 72               |
|                     | <u>\$ 23,360</u> | <u>\$ 21,152</u> |

**6. Accounts Payable and Accrued Liabilities**

|  | <b>2013</b>      | 2012             |
|--|------------------|------------------|
| Trade accounts payable                   | \$ 23,627        | \$ 7,225         |
| Contractors' holdbacks                   | 11,402           | 5,709            |
| Accrued debenture interest and principal | 742              | 556              |
|  | <b>\$ 35,771</b> | <b>\$ 13,490</b> |

**7. Deferred Revenue Related to Capital Assets**

Deferred revenue related to capital assets represents funding transferred from the General Revenue and the Municipal Accommodations Funds for capital projects approved in the annual adopted capital budget. Revenue is recognized in the year in which the related capital costs are incurred on the project.

|                                   | <b>2013</b>      | 2012             |
|-----------------------------------|------------------|------------------|
| Beginning balance                 | \$ 20,162        | \$ 31,940        |
| Contributions received from:      |                  |                  |
| General Revenue Fund              | 59,987           | 56,072           |
| Municipal Accommodations Fund     | 10,514           | 10,079           |
|                                   | <b>70,501</b>    | 66,151           |
| Deduct capital funding recognized | 80,385           | 77,929           |
|                                   | <b>\$ 10,278</b> | <b>\$ 20,162</b> |

**8. Debt**

**Sinking fund debentures outstanding**

| Term                                    | Maturity Date | Rate of Interest | Series | By-Law No.         | Amount of Debt   |           |
|---|---------------|------------------|--------|--------------------|------------------|-----------|
|   |               |                  |        |                    | <b>2013</b>      | 2012      |
| 1993-2013                               | Feb. 11       | 9.375            | VN     | 6090/93            | \$ -             | \$ 40,000 |
| 1994-2014                               | Jan. 20       | 8.000            | VQ     | 6300/94            | 30,500           | 30,500    |
| 1995-2015                               | May 12        | 9.125            | VR     | 6620/95            | 55,000           | 55,000    |
| 1997-2017                               | Nov. 17       | 6.250            | VU     | 7000/97            | 30,000           | 30,000    |
|   |               |                  |        | 72/2006, 183/2008, |                  |           |
| 2011-2051                               | Nov. 15       | 4.300            | WC     | and 150/2009       | 20,250           | 20,250    |
| 2012-2051                               | Nov. 15       | 3.853            | WC     | 93/2011            | 50,000           | 50,000    |
|   |               |                  |        | 120/2009, 93/2011, |                  |           |
| 2012-2051                               | Nov. 15       | 3.759            | WC     | and 138/2011       | 75,000           | 75,000    |
|   |               |                  |        | 93/2011            |                  |           |
| 2012-2051                               | Nov. 15       | 4.300            | WC     | and 84/2013        | 60,000           | -         |
|   |               |                  |        |                    | <b>320,750</b>   | 300,750   |
| Equity in Sinking Fund (Note 8b)        |               |                  |        |                    | <b>(101,071)</b> | (130,055) |
| Net sinking fund debentures outstanding |               |                  |        |                    | <b>219,679</b>   | 170,695   |

8. *Debt (continued)*

|  | <u>2013</u>              | <u>2012</u>              |
|--|--------------------------|--------------------------|
| <b>Other long-term debt outstanding</b>  |                          |                          |
| Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.52% (2012 - 4.68%) | <b>33,484</b>            | 53,316                   |
| Service concession arrangement obligations (Notes 8c and 11a)  | <b>157,344</b>           | 158,759                  |
| Capital lease obligations with varying maturities up to 2038 and a weighted average interest rate of 8.18% (2012 - 8.18%) (Note 8d)            | <b>26,056</b>            | 26,592                   |
| Canada Mortgage and Housing Corporation ("CMHC") term loan, maturity February 1, 2026, interest rate of 3.72%                                  | <b>8,673</b>             | 9,184                    |
| Tuxedo Yards development loan with an interest rate of 2.28%   | <b>11,473</b>            | 11,473                   |
| Other long-term debt   | <b>19,500</b>            | 26,400                   |
|  | <u><b>\$ 476,209</b></u> | <u><b>\$ 456,419</b></u> |

Debt to be retired over the next five years:

|                                 | <u>2014</u>             | <u>2015</u>             | <u>2016</u>            | <u>2017</u>             | <u>2018</u>            | <u>Thereafter</u>        |
|---------------------------------|-------------------------|-------------------------|------------------------|-------------------------|------------------------|--------------------------|
| Sinking fund debentures         | \$ 30,500               | \$ 55,000               | \$ -                   | \$ 30,000               | \$ -                   | \$ 205,250               |
| Serial and installment debt     | 9,619                   | 4,773                   | 4,773                  | 4,773                   | 4,773                  | 4,773                    |
| Service concession arrangements | 1,531                   | 1,655                   | 1,790                  | 1,936                   | 2,094                  | 148,338                  |
| Capital lease obligations       | 583                     | 630                     | 682                    | 764                     | 878                    | 22,519                   |
| CMHC                            | 531                     | 551                     | 571                    | 592                     | 614                    | 5,814                    |
| Tuxedo Yards                    | -                       | 1,147                   | 1,147                  | 1,147                   | 1,147                  | 6,885                    |
|                                 | <u><b>\$ 42,764</b></u> | <u><b>\$ 63,756</b></u> | <u><b>\$ 8,963</b></u> | <u><b>\$ 39,212</b></u> | <u><b>\$ 9,506</b></u> | <u><b>\$ 393,579</b></u> |

a) All debentures are general obligations of the City. Debenture debt is allocated to the General Capital Fund and utilities in the amounts shown in the issuing by-law.

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City of Winnipeg General Revenue Fund, on behalf of the General Capital Fund, is currently paying between one to three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

## 8. *Debt (continued)*

### c) Service concession arrangement obligations

#### (i) Chief Peguis Trail Extension

The City has entered into a fixed-price contract with DBF2 Limited Partnership (“DBF2”) to design, build, finance and maintain the Chief Peguis Trail Extension. The contract was executed in September 2010 and terminates in January 2042. The Chief Peguis Trail Extension was commissioned for use in 2011.

The \$108.5 million project will have been financed through a grant of \$23.9 million from PPP Canada, a Provincial government transfer of \$9.0 million, sinking fund debentures (Series WC) of \$18.7 million, a \$50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of \$6.9 million. As at December 31, 2013, \$105.1 million was capitalized (Note 9). Monthly capital and interest performance-based payments totalling \$4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the full \$108.5 million project is 4.6%. Specifically, the sinking fund debt and service concession arrangement obligation to DBF2 bear a combined weighted average interest rate of 7.2%.

The City will also make DBF2 a monthly performance-based maintenance payment as disclosed in Note 11.

#### (ii) Disraeli Bridges

The City has entered into a fixed-price contract with Plenary Roads Winnipeg GP (“PRW”) to design, build, finance and maintain the Disraeli Bridges Project. The contract was executed in March 2010 and terminates in October 2042. The Disraeli Bridges Project was commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge to follow in 2013.

The \$195.0 million project will have been financed through sinking fund debentures (Series WC) of \$25.0 million, a \$109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of \$50.0 million, and cash consideration paid by the City of \$10.6 million. As at December 31, 2013, \$188.9 million was capitalized for commissioned works (Note 9). A total amount of \$19.5 million was capitalized for the pedestrian bridge and various roadworks that was completed in 2013. Monthly capital and interest performance-based payments totalling \$9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the \$195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.



## 8. Debt (continued)

The City will also make PRW a monthly performance-based maintenance payment as disclosed in Note 11.

|  | <u>2013</u>       | <u>2012</u>       |
|--|-------------------|-------------------|
| DBF2 - Chief Peguis Trail                    | \$ 49,120         | \$ 49,577         |
| Plenary Roads Winnipeg GP - Disraeli Bridges | <u>108,224</u>    | <u>109,182</u>    |
|  | <u>\$ 157,344</u> | <u>\$ 158,759</u> |

- d) Future minimum lease payments together with the balance of the obligation due under the capital leases are as follows:

|   |                  |
|---|------------------|
| 2014  | \$ 2,476         |
| 2015  | 2,476            |
| 2016  | 2,476            |
| 2017  | 2,502            |
| 2018  | 2,553            |
| thereafter  | <u>35,026</u>    |
| Total future minimum lease payments                                       | 47,509           |
| Amount representing interest at a weighted average interest rate of 8.18% | <u>(21,453)</u>  |
| Balance of the capital lease obligations                                  | <u>\$ 26,056</u> |

## 9. Tangible Capital Assets

|                                | <u>2013</u>         | <u>2012</u>         |
|--------------------------------|---------------------|---------------------|
| Land                           | \$ 182,228          | \$ 183,214          |
| Buildings                      | 356,740             | 293,563             |
| Vehicles                       | 230                 | 311                 |
| Computer                       | 22,694              | 23,050              |
| Other                          | 90,075              | 79,890              |
| Plants and facilities          | 17,560              | 17,255              |
| Roads                          | 1,087,413           | 1,058,669           |
| Underground and other networks | 800,048             | 776,659             |
| Bridges and other structures   | 464,103             | 444,159             |
| Assets under construction      | <u>200,556</u>      | <u>138,238</u>      |
|                                | <u>\$ 3,221,647</u> | <u>\$ 3,015,008</u> |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

During the year, there no write-downs of tangible capital assets (2012 - \$nil). Administration fees and interim financing charges capitalized during 2013 were \$2.6 million (2012 - \$2.4 million). In addition, land, roads and underground networks contributed to the City and recorded in the General Capital Fund totalled \$67.4 million in 2013 (2012 - \$44.4 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are \$286.0 million (2012 - \$274.1 million) of tangible capital assets that were acquired through service concession arrangements.

## ***10. Accumulated Surplus***

Accumulated surplus is comprised of amounts invested in tangible capital assets.

## ***11. Commitments***

### **a) Service concession arrangements**

- (i) As disclosed in Note 8c, the City will pay DBF2 a monthly performance-based maintenance payment related to the Chief Peguis Trail Extension contract. The monthly payment totalling \$1.4 million annually is to be adjusted by CPI, is payable commencing January 2012 until the termination of the contract with DBF2 in January 2042.
- (ii) As disclosed in Note 8c, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totalling \$1.7 million annually is to be adjusted by CPI, is payable commencing October 2012 until the termination of the contract with PRW in October 2042.

## ***12. Comparative Figures***

Certain comparative figures have been reclassified to conform with the current year's presentation.

**THE CITY OF WINNIPEG  
GENERAL CAPITAL FUND**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

*As at December 31  
(in thousands of dollars)  
(unaudited)*

|  | <b>General</b>    |                   |                 |                  |                  |
|--|-------------------|-------------------|-----------------|------------------|------------------|
|  | <u>Land</u>       | <u>Buildings</u>  | <u>Vehicles</u> | <u>Computer</u>  | <u>Other</u>     |
| <b>Cost</b>  |                   |                   |                 |                  |                  |
| Balance, beginning of year                           | \$ 183,214        | \$ 542,116        | \$ 20,918       | \$ 100,787       | \$ 122,629       |
| Add: Additions during the year                       | 9,709             | 82,431            | -               | 7,415            | 20,760           |
| Less: Disposals during the year                      | <u>10,695</u>     | <u>1,695</u>      | <u>-</u>        | <u>-</u>         | <u>-</u>         |
| Balance, end of year                                 | <u>182,228</u>    | <u>622,852</u>    | <u>20,918</u>   | <u>108,202</u>   | <u>143,389</u>   |
| <b>Accumulated amortization</b>                      |                   |                   |                 |                  |                  |
| Balance, beginning of year                           | -                 | 248,553           | 20,607          | 77,737           | 42,739           |
| Add: Amortization                                    | -                 | 19,159            | 81              | 7,771            | 10,575           |
| Less: Accumulated amortization<br>on disposals       | <u>-</u>          | <u>1,600</u>      | <u>-</u>        | <u>-</u>         | <u>-</u>         |
| Balance, end of year                                 | <u>-</u>          | <u>266,112</u>    | <u>20,688</u>   | <u>85,508</u>    | <u>53,314</u>    |
| <b>Net Book Value of Tangible<br/>Capital Assets</b> | <u>\$ 182,228</u> | <u>\$ 356,740</u> | <u>\$ 230</u>   | <u>\$ 22,694</u> | <u>\$ 90,075</u> |

| Infrastructure           |                     |                                      |                                    |                                 | Totals                     |                     |
|--------------------------|---------------------|--------------------------------------|------------------------------------|---------------------------------|----------------------------|---------------------|
| Plants and<br>Facilities | Roads               | Underground<br>and Other<br>Networks | Bridges<br>and Other<br>Structures | Assets<br>Under<br>Construction | 2013                       | 2012                |
| \$ 23,955                | \$ 1,978,877        | \$ 1,157,603                         | \$ 642,584                         | \$ 138,238                      | \$ <b>4,910,921</b>        | \$ 4,473,752        |
| 635                      | 79,822              | 39,471                               | 31,494                             | 62,318                          | <b>334,055</b>             | 479,931             |
| -                        | 546                 | -                                    | 690                                | -                               | <b>13,626</b>              | 42,762              |
| 24,590                   | 2,058,153           | 1,197,074                            | 673,388                            | 200,556                         | <b>5,231,350</b>           | 4,910,921           |
| 6,700                    | 920,208             | 380,944                              | 198,425                            | -                               | <b>1,895,913</b>           | 1,820,719           |
| 330                      | 51,049              | 16,082                               | 11,406                             | -                               | <b>116,453</b>             | 109,457             |
| -                        | 517                 | -                                    | 546                                | -                               | <b>2,663</b>               | 34,263              |
| 7,030                    | 970,740             | 397,026                              | 209,285                            | -                               | <b>2,009,703</b>           | 1,895,913           |
| <u>\$ 17,560</u>         | <u>\$ 1,087,413</u> | <u>\$ 800,048</u>                    | <u>\$ 464,103</u>                  | <u>\$ 200,556</u>               | <u>\$ <b>3,221,647</b></u> | <u>\$ 3,015,008</u> |

**THE CITY OF WINNIPEG  
GENERAL CAPITAL FUND**

**Schedule 2**

**SCHEDULE OF TRANSFERS BETWEEN CITY OF WINNIPEG FUNDS**

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|  | <b>2013</b>      | 2012             |
|--|------------------|------------------|
| <b>TRANSFERS FROM OTHER CITY OF WINNIPEG FUNDS</b> |                  |                  |
| Federal Gas Tax Revenue Reserve                    | \$ 33,710        | \$ 45,614        |
| Sewer System Rehabilitation Reserve                | 8,842            | 3,668            |
| Municipal Accommodations Fund (Note 7)             | 5,570            | 2,939            |
| Destination Marketing Reserve                      | 4,079            | -                |
| Local Street Renewal Reserve                       | 4,000            | -                |
| Land Operating Reserve                             | 2,108            | 5,821            |
| Transit System                                     | 1,258            | 1,252            |
| Commitment Reserve                                 | 369              | 150              |
| Contributions in Lieu of Land Dedication Reserve   | 129              | 613              |
| Golf Course Reserve                                | 26               | 26               |
| General Purpose Reserve                            | -                | 370              |
| Insurance Reserve                                  | -                | 340              |
| Waterworks System                                  | -                | 232              |
| Library Reserve                                    | -                | 35               |
| Computer Replacement Reserve                       | -                | 21               |
|  | <b>\$ 60,091</b> | <b>\$ 61,081</b> |
| <b>TRANSFERS TO OTHER CITY OF WINNIPEG FUNDS</b>   |                  |                  |
| General Revenue Fund                               | \$ 11,108        | \$ 6,266         |
| Land Operating Reserve                             | 2,515            | 293              |
| Sewage Disposal System                             | -                | 24               |
|  | <b>\$ 13,623</b> | <b>\$ 6,583</b>  |

## **THE CITY OF WINNIPEG FINANCIAL STABILIZATION RESERVE**

The purpose of the Financial Stabilization Reserve Fund is to counteract the budgetary effect of fluctuations from year to year in property and business taxes and/or to fund deficits in the General Revenue Fund, which assist in the stabilization of the City's mill rate and/or property tax requirements.

### **History:**

On May 16, 1973, City Council created the Future Tax Levies Reserve Fund to counteract the budgetary effect of fluctuations from year to year in tax revenue caused by additions and deletions to the tax roll due to new construction, demolitions or improvements to land.

On March 20, 1997, City Council approved the "Fiscal Stability Plan" which included the renaming of the Future Tax Levies Reserve Fund to the Fiscal Stabilization Reserve Fund and the creation of the Mill Rate Stabilization Reserve Fund (with initial funding from a portion of the former Future Tax Levies Reserve Fund). Rules regarding the sources of funds, purposes and utilization of funds were established for each Reserve.

On December 13, 2000, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

On April 25, 2001, City Council adopted the "Financial Management Plan". By 2009, this established a 10% minimum target of tax-supported (General Revenue Fund) expenditures for the Stabilization Reserves.

A review of Reserves followed the "Financial Management Plan's" adoption and, on May 23, 2001, City Council amended the rules for the Stabilization Reserves.

On March 22, 2005, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset variances between the revenue projections for net supplementary taxes used in the budget and the actual amounts reported.

On March 23, 2011, City Council adopted the "Financial Management Plan" which revised the target for the two Stabilization Reserves to a minimum of 8% of tax-supported expenditures.

On September 28, 2011, City Council adopted the combining of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds into the Financial Stabilization Reserve Fund. All previous regulations for the two Stabilization Reserves were replaced with the following:

- Sources of funding for the Reserve are: the excess of actual total taxes billed compared to budget; surpluses in the General Revenue Fund; unspent amounts in the Commitment Reserve Fund; and interest revenue.
- The Reserve can be used to fund any shortfall of actual total taxes billed compared to budget; major unforeseen expenditures once the target level is exceeded and subject to rules noted below; General Revenue Fund year-end deficits and subject to rules noted below; and one-time expenditures once the target level has been reached.
- No transfers can be made to the General Revenue Fund to fund ongoing current operations.

## THE CITY OF WINNIPEG

### FINANCIAL STABILIZATION RESERVE (continued)

- Funds above the 8% target may be used for major unforeseen expenditures and General Revenue Fund deficits. Accessing funding in any given year requires City Council approval if the required amount would reduce the Reserve's balance below the 8% target.
- A replenishment plan shall be adopted by City Council if the Financial Stabilization Reserve Fund's equity is reduced below the 8% target of tax-supported expenditures.

The City Treasurer is the Fund Manager.

#### FIVE-YEAR REVIEW

*December 31*

*(in thousands of dollars)*

*(unaudited)*

|  | <b>2013</b>       | 2012       | 2011       | 2010       | 2009       |
|--|-------------------|------------|------------|------------|------------|
| General Revenue Fund's<br>adopted budget expense | <b>\$ 922,672</b> | \$ 899,961 | \$ 847,324 | \$ 817,686 | \$ 788,730 |
| Equity (1)                                       | <b>\$ 85,754</b>  | \$ 80,404  | \$ 85,305  | \$ 81,582  | \$ 78,397  |
| Level (2)  | <b>9.3%</b>       | 8.9%       | 10.1%      | 10.0%      | 9.9%       |
| Over/(under) target (3)                          | <b>\$ 11,940</b>  | \$ 8,407   | \$ 17,519  | \$ (187)   | \$ g       |

- (1) The 2009 and 2010 figures represent the combined equity of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds.
- (2) Level represents the Reserve's equity as a percentage of the General Revenue Fund's adopted budget expenses.
- (3) The residual values for 2009 and 2010 is based on the Reserve's equity which is over/(under) 10% of the General Revenue Fund's adopted budget expenses. For 2011 onward, the target is 8%.

# THE CITY OF WINNIPEG FINANCIAL STABILIZATION RESERVE

## STATEMENT OF FINANCIAL POSITION

*As at December 31  
(in thousands of dollars)  
(unaudited)*

|  | <u>2013</u>      | <u>2012</u>      |
|--|------------------|------------------|
| <b>ASSETS</b>                          |                  |                  |
| Current                                |                  |                  |
| Due from General Revenue Fund (Note 3) | <u>\$ 85,753</u> | <u>\$ 80,404</u> |
| <b>EQUITY</b>                          |                  |                  |
| Unallocated                            | <u>\$ 85,753</u> | <u>\$ 80,404</u> |

*See accompanying notes to the financial statements*



# THE CITY OF WINNIPEG FINANCIAL STABILIZATION RESERVE

## STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|  | <u>2013</u>             | <u>2012</u>             |
|--|-------------------------|-------------------------|
| Balance, beginning of year                                   | <u>\$ 80,404</u>        | <u>\$ 85,305</u>        |
| Add:   |                         |                         |
| Net realty taxes added to the assessment roll                | 8,999                   | 2,253                   |
| Interest earned  | 1,803                   | 1,669                   |
| Transfer from Commitment Reserve                             | <u>541</u>              | <u>234</u>              |
|  | <u>11,343</u>           | <u>4,156</u>            |
| Deduct:  |                         |                         |
| Transfer to General Revenue Fund                             | 5,757                   | 8,800                   |
| Transfer to General Revenue Fund - investment management fee | <u>237</u>              | <u>257</u>              |
|  | <u>5,994</u>            | <u>9,057</u>            |
| Balance, end of year   | <u><u>\$ 85,753</u></u> | <u><u>\$ 80,404</u></u> |

*See accompanying notes to the financial statements*

# **THE CITY OF WINNIPEG FINANCIAL STABILIZATION RESERVE**

## **NOTES TO THE FINANCIAL STATEMENTS**

*December 31, 2013  
(unaudited)*

### **1. Significant Accounting Policies**

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### **a) Basis of presentation**

The Financial Stabilization Reserve Fund follows the fund basis of reporting. The Fund is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

#### **b) Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

### **2. Status of the Financial Stabilization Reserve**

On May 16, 1973, City Council created the Future Tax Levies Reserve Fund to counteract the budgetary effect of fluctuations from year to year in tax revenue caused by additions and deletions to the tax roll due to new construction, demolitions or improvements to land.

On March 20, 1997, City Council approved the "Fiscal Stability Plan" which included the renaming of the Future Tax Levies Reserve Fund to the Fiscal Stabilization Reserve Fund and the creation of the Mill Rate Stabilization Reserve Fund (with initial funding from a portion of the former Future Tax Levies Reserve Fund). Rules regarding the sources of funds, purposes and utilization of funds were established for each Reserve.

On December 13, 2000, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

On April 25, 2001, City Council adopted the "Financial Management Plan". By 2009, this established a 10% minimum target of tax-supported (General Revenue Fund) expenditures for the Stabilization Reserves.

A review of Reserves followed the "Financial Management Plan's" adoption and, on May 23, 2001, City Council amended the rules for the Stabilization Reserves.

On March 22, 2005, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset variances between the revenue projections for net supplementary taxes used in the budget and the actual amounts reported.

On March 23, 2011, City Council adopted the "Financial Management Plan" which revised the target for the two Stabilization Reserves to a minimum of 8% of tax-supported expenditures.

## **2. *Status of the Financial Stabilization Reserve (continued)***

On September 28, 2011, City Council adopted the combining of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds into the Financial Stabilization Reserve Fund. All previous regulations for the two Stabilization Reserves were replaced with the following:

- Sources of funding for the Reserve are: the excess of actual total taxes billed compared to budget; surpluses in the General Revenue Fund; unspent amounts in the Commitment Reserve Fund; and interest revenue.
- The Reserve can be used to fund any shortfall of actual total taxes billed compared to budget; major unforeseen expenditures once the target level is exceeded and subject to rules noted below; General Revenue Fund year-end deficits and subject to rules noted below; and one-time expenditures once the target level has been reached.
- No transfers can be made to the General Revenue Fund to fund ongoing current operations.
- Funds above the 8% target may be used for major unforeseen expenditures and General Revenue Fund deficits. Accessing funding in any given year requires City Council approval if the required amount would reduce the Reserve's balance below the 8% target.
- A replenishment plan shall be adopted by City Council if the Financial Stabilization Reserve Fund's equity is reduced below the 8% target of tax-supported expenditures.

The City Treasurer is the Fund Manager.

## **3. *Due from General Revenue Fund***

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).





## **THE CITY OF WINNIPEG CAPITAL RESERVES**

The City of Winnipeg ("the City") operates twelve Capital Reserves to account for the use of designated revenue for specific purposes. The eleven funds included are as follows:

### **Water Main Renewal Reserve Fund**

On February 18, 1981, City Council authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established by the transfer of \$2.0 million of frontage levy revenue from the Waterworks System Fund. From 1974 through to 2008, the City used a frontage levy to fund water main renewals.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected on property taxes would be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the Water Main Renewal Reserve Fund is fully funded through water rates transferred from the Waterworks System Fund as well as interest earned on the reserve fund balance.

The Director of Water and Waste is the Fund Manager.

### **Sewer System Rehabilitation Reserve Fund**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds. These Reserves were established for the renewal and rehabilitation of combined sewers and wastewater sewers, respectively, with funding provided from the frontage levy identified for this purpose in By-law 549/73 (amended by By-law 7138/97). The purpose of the Reserves was to provide a consistent approach to financing infrastructure renewal and rehabilitate combined sewers and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding was allocated by City Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements.

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, frontage levy revenue collected on property taxes would no longer fund the Sewer System Rehabilitation Reserve as of 2011. Therefore, the Sewer System Rehabilitation Reserve is fully funded through sewer rates transferred from the Sewer Disposal System Fund as well as interest earned on the reserve fund balance.

The Director of Water and Waste is the Fund Manager.



## **THE CITY OF WINNIPEG CAPITAL RESERVES (continued)**

### **Environmental Projects Reserve Fund**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental projects to improve river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the nature of the projects reported in this Reserve.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based on the amount of water consumption billed. The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). This includes effluent disinfection, centrate treatment, biological nutrient removal, CSO mitigation infrastructure and biosolids.

River quality is under the jurisdiction of the Province and in 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50-year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25-year period, which was subsequently ordered by the Minister of Conservation on September 26, 2003.

On September 3, 2004, the Province issued Environment Act License No. 2669 for the West End Water Pollution Control Centre, which provided for the plan as directed by the Minister of Conservation. Certain provisions of this license were appealed by the City. Revised License No. 2669 E R and No. 2684 R, for the North End Water Pollution Control Center, were issued on August 17, 2005, incorporating the City's requested changes. On March 3, 2006, similar license (No. 2716) was issued for the South End Water Pollution Control Centre. Effective April 18, 2012, the South End Water Pollution Control Centre license (No. 2716RR) was revised in response to the Save Lake Winnipeg Act requirement. This Reserve partially funds capital projects to bring the City in compliance with the license requirements.

The Director of Water and Waste is the Fund Manager.

### **Brady Landfill Site Rehabilitation Reserve Fund**

On December 17, 1993, City Council authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site. The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund based on tonnages processed at the landfill.

The Director of Water and Waste is the Fund Manager.

### **Waste Diversion Reserve Fund**

On October 19, 2011, City Council approved the establishment of the Waste Diversion Reserve Fund for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion services user fee. The first transfer to the reserve occurred in 2013.

The Director of Water and Waste is the Fund Manager.

### **Golf Course Reserve Fund**

The Golf Course Reserve Fund was created by City Council on April 28, 1994, to provide funding for enhancements to the Municipal Golf Courses in order to keep them competitive with those in the private sector.

The Director of Planning, Property and Development is the Fund Manager.

## **THE CITY OF WINNIPEG CAPITAL RESERVES (continued)**

### **Library Reserve Fund**

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City Council further approved that all over due fine, replacement fee, room rental, non-resident and photocopy fee revenues be realized in the reserve. Since 2000, through the annual budget process, City Council has approved reduced transfers to the Fund to help the City maintain mill rate support levels.

The Director of Community Services is the Fund Manager.

### **Transit Bus Replacement Reserve Fund**

On December 15, 1994, City Council approved the establishment of the Transit Bus Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement or refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to this Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and insurance claims on bus equipment written off. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards that purchase.

The Director of Transit is the Fund Manager.

### **Computer Replacement Reserve Fund**

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income.

The Director of Corporate Support Services is the Fund Manager.

### **Federal Gas Tax Revenue Reserve Fund**

City Council, on January 25, 2006, authorized the establishment of the Federal Gas Tax Revenue Reserve Fund. The purpose of the Reserve is to account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under this deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are intended specifically for eligible projects such as: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and the City signed the Gas Tax Funding Agreement. The agreement was effective as of April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

The Director of Public Works is the Fund Manager.

## **THE CITY OF WINNIPEG CAPITAL RESERVES (continued)**

### **Rapid Transit Infrastructure Reserve Fund**

On March 26, 2008, City Council approved that a Rapid Transit Infrastructure Reserve Fund be established, and that the purpose of the Reserve be to accumulate funds and subsequently to expend on future costs incurred on account of public transit infrastructure, including the construction of rapid transit corridors contemplated in the future.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve be revised to accumulate funds and subsequently expend on costs incurred on account of public transit infrastructure, including the operation and construction of the rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

On January 29, 2013, City Council approved that effective January 1, 2014 the reserve be renamed the Southwest Rapid Transit Corridor - Stage 2 Reserve. In addition the purpose will be revised to: a) accumulate capital funds and subsequently expend such funds on future costs incurred on account of public transit infrastructure, and more specifically, the construction of the Southwest Rapid Transit Corridor - Stage 2, and the purchase of vehicles associated with Stage 2, contemplated in the future; b) contribute to the proposed Jubilee Rapid Transit Station if net proceeds of the disposition of the subject City property are insufficient to cover the City's share, as approved by City Council on October 24, 2012; c) pay for any residual land acquisition settlements for the Southwest Rapid Transit Corridor - Stage 1 project; and d) pay for the ongoing replacement of the 10 buses purchased for the Southwest Rapid Transit Corridor Stage 1 project.

The Director of Transit is the Fund Manager.

### **Local Street Renewal Reserve Fund**

The Local Street Renewal Reserve was established in 2013 to increase investment in local streets, lanes and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for local streets. Use of the Local Street Renewal Reserve for purposes other than local streets, lanes, or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.



# THE CITY OF WINNIPEG

## CAPITAL RESERVES

### FIVE-YEAR REVIEW

December 31

("\$" amounts in thousands of dollars)

(unaudited)

|  | 2013      | 2012       | 2011      | 2010       | 2009       |
|--|-----------|------------|-----------|------------|------------|
| <b>Water Main Renewal Reserve Fund</b>                 |           |            |           |            |            |
| Frontage levy revenue                                  | \$ -      | \$ -       | \$ -      | \$ -       | \$ -       |
| Water main renewals funded                             | \$ 12,182 | \$ 15,274  | \$ 13,316 | \$ 11,244  | \$ 9,437   |
| Kilometres of water mains                              | 2,585     | 2,557      | 2,531     | 2,543      | 2,519      |
| Water main repairs                                     | 695       | 840        | 571       | 328        | 433        |
| <b>Sewer System Rehabilitation Reserve Fund</b>        |           |            |           |            |            |
| Frontage levy revenue                                  | \$ -      | \$ -       | \$ -      | \$ 1,100   | \$ 7,500   |
| Sewer renewals funded                                  | \$ 25,653 | \$ 17,344  | \$ 14,899 | \$ 15,854  | \$ 16,874  |
| Kilometres of sewers                                   | 2,579     | 2,549      | 2,548     | 2,521      | 2,511      |
| Kilometres of sewers renewed                           | 1.16      | 1.57       | 1.15      | 0.73       | 9.40       |
| <b>Environmental Projects Reserve Fund</b>             |           |            |           |            |            |
| Transfer from Sewage Disposal System                   | \$ 15,986 | \$ 15,780  | \$ 13,822 | \$ 11,993  | \$ 9,737   |
| Transfer to Sewage Disposal System - capital projects  | \$ 7,991  | \$ 2,732   | \$ 7,088  | \$ 5,088   | \$ 5,462   |
| <b>Brady Landfill Site Rehabilitation Reserve Fund</b> |           |            |           |            |            |
| Transfer from Solid Waste Disposal                     | \$ 173    | \$ 200     | \$ 189    | \$ 171     | \$ 175     |
| <b>Waste Diversion Reserve</b>                         |           |            |           |            |            |
| Transfer from Solid Waste Disposal                     | \$ 1,625  | \$ -       | \$ -      | \$ -       | \$ -       |
| <b>Golf Course Reserve Fund</b>                        |           |            |           |            |            |
| Equity   | \$ 1,325  | \$ 1,224   | \$ 1,185  | \$ 1,145   | \$ 1,087   |
| <b>Library Reserve Fund</b>                            |           |            |           |            |            |
| Transfer from General Revenue Fund                     | \$ -      | \$ 50      | \$ -      | \$ 130     | \$ 214     |
| <b>Transit Bus Replacement Reserve Fund</b>            |           |            |           |            |            |
| Transfer from/(to)                                     |           |            |           |            |            |
| Transit System, net                                    | \$ 451    | \$ (2,036) | \$ 528    | \$ (3,767) | \$ (5,102) |
| Number of buses financed                               | 29        | 40         | 28        | 35         | 63         |

# THE CITY OF WINNIPEG

## CAPITAL RESERVES

### FIVE-YEAR REVIEW (continued)

December 31

("\$" amounts in thousands of dollars)

(unaudited)

|  | 2013            | 2012            | 2011            | 2010          | 2009            |
|--|-----------------|-----------------|-----------------|---------------|-----------------|
| <b>Computer Replacement Reserve Fund</b> |                 |                 |                 |               |                 |
| Allocation of equity:                    |                 |                 |                 |               |                 |
| Corporate Support                        |                 |                 |                 |               |                 |
| Services *                               | \$ 900          | \$ 1,563        | \$ 846          | \$ 285        | \$ 289          |
| Community Services                       | 97              | 224             | 226             | 273           | 274             |
| Public Works                             | 188             | 187             | 164             | 132           | 114             |
| Planning, Property and                   |                 |                 |                 |               |                 |
| Development                              | 63              | 55              | 92              | 188           | 211             |
| Audit                                    | -               | 3               | 3               | 10            | 10              |
| Corporate Finance                        | -               | 1               | 3               | 2             | 801             |
| Chief Administrative                     |                 |                 |                 |               |                 |
| Offices                                  | -               | 1               | 1               | 1             | 1               |
| Mayor's Office                           | -               | -               | -               | -             | 6               |
|  | <u>\$ 1,248</u> | <u>\$ 2,034</u> | <u>\$ 1,335</u> | <u>\$ 891</u> | <u>\$ 1,706</u> |

### Federal Gas Tax Revenue Reserve Fund

|                             |           |           |           |           |           |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| Government of               |           |           |           |           |           |
| Canada funding              | \$ 40,452 | \$ 40,452 | \$ 40,453 | \$ 40,452 | \$ 41,067 |
| Transfer to General Capital |           |           |           |           |           |
| Fund                        | \$ 33,710 | \$ 45,614 | \$ 24,950 | \$ 26,686 | \$ 25,355 |
| Transfer to Transit System  |           |           |           |           |           |
| - capital projects          | \$ 12,926 | \$ 5,625  | \$ 3,223  | \$ 490    | \$ 4,376  |

### Rapid Transit Infrastructure Reserve Fund

|                     |            |            |          |        |          |
|---------------------|------------|------------|----------|--------|----------|
| Transfer from/(to)  |            |            |          |        |          |
| Transit System, net | \$ (1,094) | \$ (1,329) | \$ 3,480 | \$ 537 | \$ 4,250 |

### Local Street Renewal Reserve Fund

|                               |          |      |      |      |      |
|-------------------------------|----------|------|------|------|------|
| Transfer from General Revenue |          |      |      |      |      |
| Fund                          | \$ 4,500 | \$ - | \$ - | \$ - | \$ - |
| Transfer to General Capital   |          |      |      |      |      |
| Fund                          | \$ 4,000 | \$ - | \$ - | \$ - | \$ - |

\* In 2008, the Corporate Information Technology and Corporate Services departments were amalgamated and renamed the Corporate Support Services department.

# THE CITY OF WINNIPEG

## CAPITAL RESERVES

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | <b>Water Main<br/>Renewal<br/>Reserve</b> | <b>Sewer System<br/>Rehabilitation<br/>Reserve</b> | <b>Environmental<br/>Projects<br/>Reserve</b> | <b>Brady<br/>Landfill<br/>Reserve</b> |
|---|---|--|---|---------------------------------------|
| <b>ASSETS</b>   |   |  |   |                                       |
| Current   |   |  |   |                                       |
| Due from General Revenue<br>Fund (Note 3)                     | \$ 3,787                                  | \$ 17,821  | \$ 67,338                                     | \$ 1,503                              |
| Call loans - General<br>Revenue Fund (Note 4)                 | -   | -  | -   | 257                                   |
| Accounts receivable   | -   | -  | -   | 23                                    |
|   | <b>3,787</b>                              | <b>17,821</b>                                      | <b>67,338</b>                                 | <b>1,783</b>                          |
| Investments (Note 5)  | -   | -  | -   | 3,176                                 |
| Due from Golf Services - Special<br>Operating Agency (Note 6) | -   | -  | -   | -                                     |
|   | <b>\$ 3,787</b>                           | <b>\$ 17,821</b>                                   | <b>\$ 67,338</b>                              | <b>\$ 4,959</b>                       |
| <b>LIABILITIES</b>  |   |  |   |                                       |
| Accounts payable  | \$ -                                      | \$ -   | \$ -  | \$ -                                  |
| Deferred revenue  | -   | -  | -   | -                                     |
| Debt (Note 7)   | -   | -  | -   | -                                     |
|   | -   | -  | -   | -                                     |
| <b>EQUITY</b>   |   |  |   |                                       |
| Allocated   | 3,787                                     | 17,821   | 67,338  | 4,959                                 |
| Unallocated   | -   | -  | -   | -                                     |
|   | <b>3,787</b>                              | <b>17,821</b>                                      | <b>67,338</b>                                 | <b>4,959</b>                          |
|   | <b>\$ 3,787</b>                           | <b>\$ 17,821</b>                                   | <b>\$ 67,338</b>                              | <b>\$ 4,959</b>                       |

*See accompanying notes to the financial statements*

| <u>Waste<br/>Diversion<br/>Reserve</u> | <u>Golf<br/>Course<br/>Reserve</u> | <u>Library<br/>Reserve</u> | <u>Transit Bus<br/>Replacement<br/>Reserve</u> | <u>Computer<br/>Replacement<br/>Reserve</u> | <u>Federal<br/>Gas Tax<br/>Reserve</u> | <u>Sub-total</u>  |
|--|------------------------------------|----------------------------|--|---|--|-------------------|
| \$ 952                                 | \$ 530                             | \$ -                       | \$ 7,157                                       | \$ 1,258                                    | \$ 23,505                              | \$ 123,851        |
| -                                      | -                                  | -                          | -  | -   | -                                      | 257               |
| -                                      | -                                  | -                          | -  | -   | -                                      | 23                |
| 952                                    | 530                                | -                          | 7,157  | 1,258                                       | 23,505                                 | 124,131           |
| -                                      | -                                  | -                          | -  | -   | -                                      | 3,176             |
| -                                      | 844                                | -                          | -  | -   | -                                      | 844               |
| <u>\$ 952</u>                          | <u>\$ 1,374</u>                    | <u>\$ -</u>                | <u>\$ 7,157</u>                                | <u>\$ 1,258</u>                             | <u>\$ 23,505</u>                       | <u>\$ 128,151</u> |
| \$ -                                   | \$ -                               | \$ -                       | \$ -   | \$ 10                                       | \$ -                                   | \$ 10             |
| -                                      | -                                  | -                          | -  | -   | 22,900                                 | 22,900            |
| -                                      | 49                                 | -                          | -  | -   | -                                      | 49                |
| -                                      | 49                                 | -                          | -  | 10  | 22,900                                 | 22,959            |
| 952                                    | -                                  | -                          | 6,428  | 1,248                                       | 605                                    | 103,138           |
| -                                      | 1,325                              | -                          | 729  | -   | -                                      | 2,054             |
| 952                                    | 1,325                              | -                          | 7,157  | 1,248                                       | 605                                    | 105,192           |
| <u>\$ 952</u>                          | <u>\$ 1,374</u>                    | <u>\$ -</u>                | <u>\$ 7,157</u>                                | <u>\$ 1,258</u>                             | <u>\$ 23,505</u>                       | <u>\$ 128,151</u> |

# THE CITY OF WINNIPEG

## CAPITAL RESERVES

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | <b>Sub-total<br/>Brought<br/>Forward</b> | <b>Transit<br/>Infrastructure<br/>Reserve</b> | <b>Local Street<br/>Renewal<br/>Reserve</b> | <b>Totals<br/>2013</b> |
|---|--|---|---|------------------------|
| <b>ASSETS</b>   |  |   |   |                        |
| Current   |  |   |   |                        |
| Due from General Revenue<br>Fund (Note 3)                     | \$ 123,851                               | \$ 8,856                                      | \$ 500                                      | \$ 133,207             |
| Call loans - General<br>Revenue Fund (Note 4)                 | 257                                      | -   | -   | 257                    |
| Accounts receivable   | 23                                       | -   | -   | 23                     |
|   | <b>124,131</b>                           | <b>8,856</b>                                  | <b>500</b>                                  | <b>133,487</b>         |
| Investments (Note 5)  | 3,176                                    | -   | -   | 3,176                  |
| Due from Golf Services - Special<br>Operating Agency (Note 6) | 844                                      | -   | -   | 844                    |
|   | <b>\$ 128,151</b>                        | <b>\$ 8,856</b>                               | <b>\$ 500</b>                               | <b>\$ 137,507</b>      |
| <b>LIABILITIES</b>  |  |   |   |                        |
| Accounts payable  | \$ 10                                    | \$ -  | \$ -  | \$ 10                  |
| Deferred revenue  | 22,900                                   | -   | -   | 22,900                 |
| Debt (Note 7)   | 49                                       | -   | -   | 49                     |
|   | <b>22,959</b>                            | <b>-</b>                                      | <b>-</b>                                    | <b>22,959</b>          |
| <b>EQUITY</b>   |  |   |   |                        |
| Allocated   | 103,138                                  | 1,667   | 500   | 105,305                |
| Unallocated   | 2,054                                    | 7,189   | -   | 9,243                  |
|   | <b>105,192</b>                           | <b>8,856</b>                                  | <b>500</b>                                  | <b>114,548</b>         |
|   | <b>\$ 128,151</b>                        | <b>\$ 8,856</b>                               | <b>\$ 500</b>                               | <b>\$ 137,507</b>      |

*See accompanying notes to the financial statements*

Totals  
2012

\$ 139,655

117  
23

139,795

3,177

941

\$ 143,913

\$ 10  
28,924  
72

29,006

103,851  
11,056

114,907

\$ 143,913

# THE CITY OF WINNIPEG

## CAPITAL RESERVES

### STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <b>Water Main<br/>Renewal<br/>Reserve</b> | <b>Sewer System<br/>Rehabilitation<br/>Reserve</b> | <b>Environmental<br/>Projects<br/>Reserve</b> | <b>Brady<br/>Landfill<br/>Reserve</b> |
|---|---|--|---|---------------------------------------|
| Balance, beginning of year                                      | <u>\$ 875</u>                             | <u>\$ 29,630</u>                                   | <u>\$ 58,927</u>                              | <u>\$ 4,637</u>                       |
| Add:  |   |  |   |                                       |
| Government of Canada transfers                                  | -   | -  | -   | -                                     |
| Transfer from Sewage Disposal System                            | -   | 13,700   | 15,986  | -                                     |
| Transfer from Waterworks System                                 | 15,000                                    | -  | -   | -                                     |
| Transfer from Transit System                                    | -   | -  | -   | -                                     |
| Interest earned   | 112                                       | 210  | 608   | 163                                   |
| Transfer from General Revenue Fund                              | -   | -  | -   | -                                     |
| Transfer from Solid Waste Disposal                              | -   | -  | -   | 173                                   |
| Transfer from Municipal Accommodations                          | -   | -  | -   | -                                     |
| Transfer from Golf Services SOA                                 | -   | -  | -   | -                                     |
| Other   | 17  | -  | -   | -                                     |
|   | <u>15,129</u>                             | <u>13,910</u>                                      | <u>16,594</u>                                 | <u>336</u>                            |
| Deduct:   |   |  |   |                                       |
| Transfer to General Capital Fund                                | -   | 8,842  | -   | -                                     |
| Transfer to Transit System                                      | -   | -  | -   | -                                     |
| Transfer to Sewage Disposal System                              | -   | 16,811   | 7,991   | -                                     |
| Transfer to Waterworks System                                   | 12,182                                    | -  | -   | -                                     |
| Purchase of equipment   | -   | -  | -   | -                                     |
| Transfer to General Revenue Fund -<br>investment management fee | 35  | 66   | 192   | 14                                    |
| Transfer to Solid Waste Disposal                                | -   | -  | -   | -                                     |
| Other   | -   | -  | -   | -                                     |
|   | <u>12,217</u>                             | <u>25,719</u>                                      | <u>8,183</u>                                  | <u>14</u>                             |
| Balance, end of year  | <u><u>\$ 3,787</u></u>                    | <u><u>\$ 17,821</u></u>                            | <u><u>\$ 67,338</u></u>                       | <u><u>\$ 4,959</u></u>                |

*See accompanying notes to the financial statements*

| <b>Waste<br/>Diversion<br/>Reserve</b> | <b>Golf<br/>Course<br/>Reserve</b> | <b>Library<br/>Reserve</b> | <b>Transit Bus<br/>Replacement<br/>Reserve</b> | <b>Computer<br/>Replacement<br/>Reserve</b> | <b>Federal<br/>Gas Tax<br/>Reserve</b> | <b>Sub-total</b>  |
|--|------------------------------------|----------------------------|--|---|--|-------------------|
| <b>\$ -</b>                            | <b>\$ 1,224</b>                    | <b>\$ 410</b>              | <b>\$ 6,678</b>                                | <b>\$ 2,034</b>                             | <b>\$ 610</b>                          | <b>\$ 105,025</b> |
| -                                      | -                                  | -                          | -  | -   | 46,476                                 | 46,476            |
| -                                      | -                                  | -                          | -  | -   | -                                      | 29,686            |
| -                                      | -                                  | -                          | -  | -   | -                                      | 15,000            |
| -                                      | -                                  | -                          | 7,590  | -   | -                                      | 7,590             |
| -                                      | 61                                 | 2                          | 42   | 15  | 162                                    | 1,375             |
| -                                      | -                                  | -                          | -  | 645   | -                                      | 645               |
| 1,625                                  | -                                  | -                          | -  | -   | -                                      | 1,798             |
| -                                      | -                                  | -                          | -  | 11  | -                                      | 11                |
| -                                      | 67                                 | -                          | -  | -   | -                                      | 67                |
| -                                      | -                                  | -                          | -  | -   | -                                      | 17                |
| <b>1,625</b>                           | <b>128</b>                         | <b>2</b>                   | <b>7,632</b>                                   | <b>671</b>                                  | <b>46,638</b>                          | <b>102,665</b>    |
| -                                      | 26                                 | -                          | -  | -   | 33,710                                 | 42,578            |
| -                                      | -                                  | -                          | 7,139  | -   | 12,926                                 | 20,065            |
| -                                      | -                                  | -                          | -  | -   | -                                      | 24,802            |
| -                                      | -                                  | -                          | -  | -   | -                                      | 12,182            |
| -                                      | -                                  | 238                        | -  | 1,452                                       | -                                      | 1,690             |
| -                                      | 1                                  | 2                          | 14   | 5   | -                                      | 329               |
| 673                                    | -                                  | -                          | -  | -   | -                                      | 673               |
| -                                      | -                                  | 172                        | -  | -   | 7                                      | 179               |
| <b>673</b>                             | <b>27</b>                          | <b>412</b>                 | <b>7,153</b>                                   | <b>1,457</b>                                | <b>46,643</b>                          | <b>102,498</b>    |
| <b>\$ 952</b>                          | <b>\$ 1,325</b>                    | <b>\$ -</b>                | <b>\$ 7,157</b>                                | <b>\$ 1,248</b>                             | <b>\$ 605</b>                          | <b>\$ 105,192</b> |



# THE CITY OF WINNIPEG

## CAPITAL RESERVES

### STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <b>Sub-total<br/>Brought<br/>Forward</b> | <b>Transit<br/>Infrastructure<br/>Reserve</b> | <b>Local Street<br/>Renewal<br/>Reserve</b> | <b>Totals<br/>2013</b> |
|---|--|---|---|------------------------|
| Balance, beginning of year                                      | <b>105,025</b>                           | <b>\$ 9,882</b>                               | <b>\$ -</b>                                 | <b>\$ 114,907</b>      |
|   | -  |   |   |                        |
| Add:  | -  |   |   |                        |
| Government of Canada transfers                                  | <b>46,476</b>                            | -   | -   | <b>46,476</b>          |
| Transfer from Sewage Disposal System                            | <b>29,686</b>                            | -   | -   | <b>29,686</b>          |
| Transfer from Waterworks System                                 | <b>15,000</b>                            | -   | -   | <b>15,000</b>          |
| Transfer from Transit System                                    | <b>7,590</b>                             | <b>2,509</b>                                  | -   | <b>10,099</b>          |
| Interest earned   | <b>1,375</b>                             | <b>99</b>                                     | -   | <b>1,474</b>           |
| Transfer from General Revenue Fund                              | <b>645</b>                               | -   | <b>4,500</b>                                | <b>5,145</b>           |
| Transfer from Solid Waste Disposal                              | <b>1,798</b>                             | -   | -   | <b>1,798</b>           |
| Transfer from Municipal Accommodations                          | <b>11</b>                                | -   | -   | <b>11</b>              |
| Transfer from Golf Services SOA                                 | <b>67</b>                                | -   | -   | <b>67</b>              |
| Other   | <b>17</b>                                | -   | -   | <b>17</b>              |
|   | -  |   |   |                        |
|   | <b>102,665</b>                           | <b>2,608</b>                                  | <b>4,500</b>                                | <b>109,773</b>         |
|   | -  |   |   |                        |
| Deduct:   | -  |   |   |                        |
| Transfer to General Capital Fund                                | <b>42,578</b>                            | -   | <b>4,000</b>                                | <b>46,578</b>          |
| Transfer to Transit System                                      | <b>20,065</b>                            | <b>3,603</b>                                  | -   | <b>23,668</b>          |
| Transfer to Sewage Disposal System                              | <b>24,802</b>                            | -   | -   | <b>24,802</b>          |
| Transfer to Waterworks System                                   | <b>12,182</b>                            | -   | -   | <b>12,182</b>          |
| Purchase of equipment   | <b>1,690</b>                             | -   | -   | <b>1,690</b>           |
| Transfer to General Revenue Fund -<br>investment management fee | <b>329</b>                               | <b>31</b>                                     | -   | <b>360</b>             |
| Transfer to Solid Waste Disposal                                | <b>673</b>                               | -   | -   | <b>673</b>             |
| Other   | <b>179</b>                               | -   | -   | <b>179</b>             |
|   | -  |   |   |                        |
|   | <b>102,498</b>                           | <b>3,634</b>                                  | <b>4,000</b>                                | <b>110,132</b>         |
|   | -  |   |   |                        |
| Balance, end of year  | <b>\$ 105,192</b>                        | <b>\$ 8,856</b>                               | <b>\$ 500</b>                               | <b>\$ 114,548</b>      |

*See accompanying notes to the financial statements*

Totals  
2012  

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\$ 107,716  

---

50,577  
30,780  
14,000  
12,149  
1,489  
920  
200  
11  
-  
4  

---

110,130  

---

49,364  
21,139  
16,408  
15,274  
423  
  
324  
  
7  

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102,939  

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\$ 114,907  

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# THE CITY OF WINNIPEG

## CAPITAL RESERVES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

#### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

##### a) Basis of presentation

The Capital Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Capital Reserves include the following:

|   |   |
|---|---|
| Water Main Renewal Reserve Fund                 | Transit Bus Replacement Reserve Fund      |
| Sewer System Rehabilitation Reserve Fund        | Computer Replacement Reserve Fund         |
| Environmental Projects Reserve Fund             | Federal Gas Tax Revenue Reserve Fund      |
| Brady Landfill Site Rehabilitation Reserve Fund | Rapid Transit Infrastructure Reserve Fund |
| Waste Diversion Reserve Fund                    | Local Street Renewal Reserve Fund         |
| Golf Course Reserve Fund                        |   |
| Library Reserve Fund                            |   |

##### b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

##### c) Investment in bonds

Bonds are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received result in a constant effective yield on the amortized book value.

##### d) Bond coupons

Bond coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

##### e) Deferred revenue

The City of Winnipeg ("the City") receives funds dedicated to the acquisition of specific tangible capital assets. When capital funds are received but the funding has not been used in the year to acquire tangible capital assets, the funding will be reported as deferred revenue and taken into income in future years when the cost is incurred.

## **1. *Significant Accounting Policies (continued)***

### **f) Government transfers**

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

## **2. *Status of the Capital Reserves***

### **Water Main Renewal Reserve Fund**

City Council, on February 18, 1981, authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established in 1981 by the transfer of \$2.0 million of frontage levy revenue from the Waterworks System Fund.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected from property taxes would be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the sources of funding for the Water Main Renewal Reserve Fund are revenues from water rates, which are transferred from the Waterworks System Fund, and interest.

The Director of Water and Waste is the Fund Manager.

### **Sewer System Rehabilitation Reserve Fund**

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the rehabilitation of combined sewers. City Council also authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers. Funding for both Reserves was provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes was phased out as of 2011. The frontage levy is being reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. The sources of funding for the Sewer System Rehabilitation Reserve Fund are revenues from sewer rates, which are transferred from Sewage Disposal System Fund, and interest.

The Director of Water and Waste is the Fund Manager.

## **2. *Status of the Capital Reserves (continued)***

### **Environmental Projects Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects funded by this Reserve.

The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). This includes effluent disinfection, centrate treatment, biological nutrient removal, CSO mitigation infrastructure and biosolids.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2013 sewer rate includes a provision of 0.2600 cents (2012 - 0.2600 cents) per cubic meter of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

### **Brady Landfill Site Rehabilitation Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents (2012 - 50 cents) per tonne for each tonne disposed at the Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

### **Waste Diversion Reserve Fund**

On October 19, 2011, City Council approved the establishment of the Waste Diversion Reserve Fund for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion services user fee. The first transfer to the reserve occurred in 2013.

The Director of Water and Waste is the Fund Manager.

### **Golf Course Reserve Fund**

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve Fund for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency.

The Director of Planning, Property and Development is the Fund Manager.

### **Library Reserve Fund**

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City Council further approved that all over due fine, replacement fee, room rental, non-resident and photocopy fee revenues be realized in the Reserve. The Director of Community Services is the Fund Manager.

## **2. *Status of the Capital Reserves (continued)***

### **Transit Bus Replacement Reserve Fund**

City Council, on December 15, 1994, approved the creation of a Transit Bus Replacement Reserve Fund for the purpose of providing financing for the replacement or major refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to the Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards the purchase. The Director of Transit is the Fund Manager.

### **Computer Replacement Reserve Fund**

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Director of Corporate Support Services is the Fund Manager.

### **Federal Gas Tax Revenue Reserve Fund**

City Council, on January 25, 2006, authorized the establishment of a Federal Gas Tax Revenue Reserve Fund. The purpose of this Reserve is to administer and account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under the deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are specifically for eligible projects in the areas of: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and the City signed the Gas Tax Funding Agreement. The agreement is effective April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

The Director of Public Works is the Fund Manager.

### **Rapid Transit Infrastructure Reserve Fund**

On March 26, 2008, City Council approved that a Rapid Transit Infrastructure Reserve Fund be established, and that the purpose of the Reserve be to accumulate funds and subsequently to expend on future costs incurred on account of public transit infrastructure, including the construction of rapid transit corridors contemplated in the future.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve Fund be revised to accumulate funds and subsequently expend on costs incurred on account of public transit infrastructure, including the operation and construction of the rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

On January 29, 2013, City Council approved that effective January 1, 2014 the reserve be renamed the

## 2. *Status of the Capital Reserves (continued)*

Southwest Rapid Transit Corridor - Stage 2 Reserve. In addition the purpose will be revised to:

- a) accumulate capital funds and subsequently expend such funds on future costs incurred on account of public transit infrastructure, and more specifically, the construction of the Southwest Rapid Transit Corridor - Stage 2, and the purchase of vehicles associated with Stage 2, contemplated in the future;
- b) contribute to the proposed Jubilee Rapid Transit Station if net proceeds of the disposition of the subject City property are insufficient to cover the City's share, as approved by City Council on October 24, 2012; c) pay for any residual land acquisition settlements for the Southwest Rapid Transit Corridor - Stage 1 project; and d) pay for the ongoing replacement of the 10 buses purchased for the Southwest Rapid Transit Corridor Stage 1 project.

The Director of Transit is the Fund Manager.

### **Local Street Renewal Reserve Fund**

The Local Street Renewal Reserve was established in 2013 to increase investment in local streets, lanes and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for local streets. Use of the Local Street Renewal Reserve for purposes other than local streets, lanes, or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.

## 3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).

## 4. *Call Loans - General Revenue Fund*

Call loans represent short-term investments with the General Revenue Fund which are callable by the Fund upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

## 5. *Investments*

|                                   | <u>2013</u>     | <u>2012</u>     |
|-----------------------------------|-----------------|-----------------|
| Marketable securities             |                 |                 |
| Provincial bonds and bond coupons | \$ 1,496        | \$ 1,496        |
| Municipal bonds                   | <u>1,680</u>    | <u>1,681</u>    |
|                                   | <u>\$ 3,176</u> | <u>\$ 3,177</u> |

The aggregate market value of marketable securities at December 31, 2013 was \$3,357 thousand (2012 - \$3,783 thousand).

**6. Due from Golf Services - Special Operating Agency**

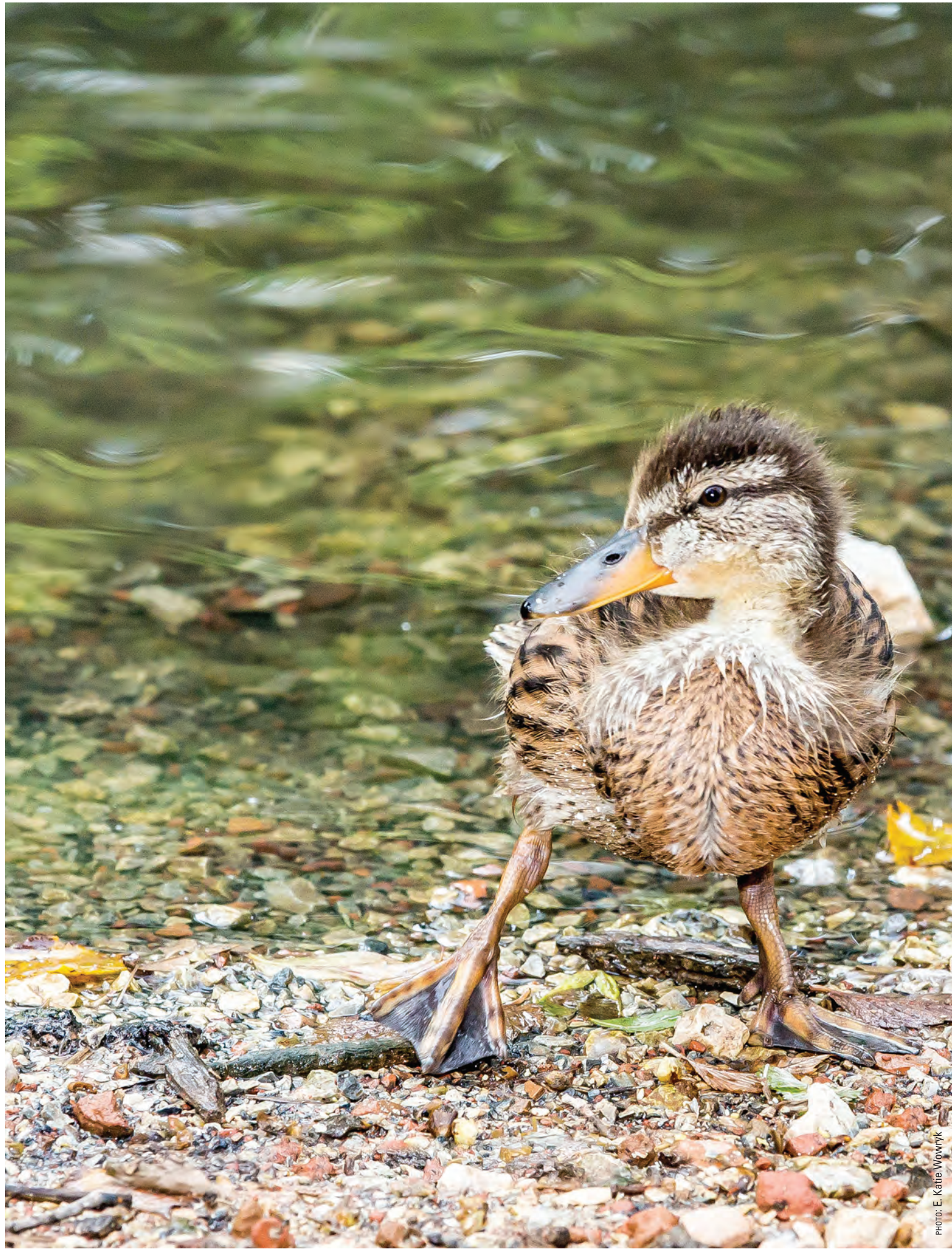
|   | <u>2013</u>   | <u>2012</u>   |
|---|---------------|---------------|
| Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in: |               |               |
| - 2004  | \$ -          | \$ 9          |
| - 2005  | 10            | 19            |
| - 2006  | 29            | 42            |
| - 2007  | 89            | 115           |
| - 2008  | 143           | 175           |
| - 2009  | 8             | 9             |
| - 2010  | 183           | 208           |
| - 2011  | 38            | 42            |
| - 2012  | 198           | 217           |
| - 2013  | 41            | 45            |
| - 2014  | 60            | 60            |
| - 2015  | 45            | -             |
|   | <u>\$ 844</u> | <u>\$ 941</u> |

Included in interest earned is \$58 thousand (2012 - \$63 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.

**7. Debt**

|  | <u>2013</u>  | <u>2012</u>  |
|--|--------------|--------------|
| General Capital Fund debt issued by the City, maturing in 2015 with an interest rate of 4.0% | <u>\$ 49</u> | <u>\$ 72</u> |
| Debt to be retired over the next two years:  |              |              |
| 2014   | 24           |              |
| 2015   | 25           |              |
|  | <u>\$ 49</u> |              |







## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES**

The City of Winnipeg ("the City") operates eighteen Special Purpose Reserves to account for the use of designated revenue for specific purposes. These Reserves are as follows:

### **Workers Compensation Reserve Fund**

Under the terms of By-law No. 9802 of the former City of Winnipeg, provision was made for the establishment of a Workers Compensation Reserve Fund. On January 1, 1972, as a result of the amalgamation of the City of Winnipeg with former area municipalities, The Workers Compensation Reserve Fund was established in accordance with Section 338 of the former City of Winnipeg Act.

The City administers its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. Departments are charged an array of actual costs as well as surcharges related to financing fatality pensions and upgrades of benefits. The net result is that costs and surcharges are transferred to/from the Workers Compensation Reserve Fund. The Workers Compensation Reserve Fund serves to counteract any budgetary fluctuation from year to year that would result from a work related incident of major proportions.

The Corporate Controller is the Fund Manager.

### **Perpetual Maintenance Funds (Brookside, St. Vital and Transcona Cemeteries)**

The terms of By-law No. 14725 of the former City of Winnipeg, passed on April 8, 1935, created a fund for the perpetual care and maintenance of Brookside Cemetery. Later on By-law No. 1996/78, also created funds for the perpetual care and maintenance of St. Vital and Transcona Cemeteries.

Section 29 of By-law No. 5720/91 amending and restating By-law 1996/78, relating to Cemeteries, sets forth the purpose and use of the Perpetual Maintenance Funds.

These funds are for the purpose of creating, building up, and maintaining a perpetual maintenance fund for the care and maintenance of Brookside, St. Vital, and Transcona Cemeteries. There shall be paid to the Sinking Fund Trustees of The City of Winnipeg, during specified years and not later than the first day of June of each of the years, a sum equal to twenty-five per centum of the proceeds of the sale of plots and graves in cemeteries sold during the preceding year. The monies shall be so paid over to the Trustees for investment and administration and shall be treated in the same manner as interest and sinking fund charges. Commencing the first day of January 1991, and upon each and every first day of January thereafter the Trustees shall pay out fifty per centum of the yearly earnings of the fund for the previous year to the City. The yearly earnings shall be applied to offset the cost of the care and maintenance of the Cemeteries.

The Sinking Fund Trustees were also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots.

On January 1, 2003, The City of Winnipeg Act was replaced with new legislation entitled The City of Winnipeg Charter. Under this new legislation the investment and administration of the funds has been transferred to the City's administration.

The Director of Planning, Property and Development is the Funds Manager.

## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES (continued)**

### **Insurance Reserve Fund**

In 1960, the Insurance Reserve Fund was established. The reserve was to be used for the purpose of replacing or repairing City properties and/or contents that had been damaged by fire or any other cause. In 1973, the use of the Insurance Reserve Fund also included the purpose of paying for any other losses that the City might incur in any part of its self-insurance program. Such uses would include third party liability claims, or property damage claims, including motor vehicles.

The Corporate Controller is the Fund Manager.

### **Contributions in Lieu of Land Dedication Reserve Fund**

On January 10, 1973, City Council adopted the policy that cash payments received by the City in lieu of land dedication for open space be deposited in a fund to the credit of each community. On January 17, 1979, City Council amended that policy to permit proceeds from the sale of surplus Parks and Recreation lands to be deposited to the Contributions in Lieu of Land Dedication Reserve Fund account of the respective community. On September 19, 1990, City Council adopted the recommendation that revenue would be apportioned amongst the communities on the basis of 75% to the account of the community in which the revenue was collected and 25% to be divided equally amongst all communities. This change was phased in over three years commencing in 1991.

Expenses are limited to the acquisition or improvement of land for parks, recreation facilities, or open space.

The Director of Planning, Property and Development is the Fund Manager.

### **Land Operating Reserve Fund**

City Council, on May 16, 1973, authorized the establishment of a Land Operating Reserve Fund to reduce the need for the issuance and sale of debentures in connection with the acquisition cost of properties for resale.

Disbursements from this Reserve are limited to the acquisition cost of properties for resale, and any other expenses directly related to the acquisition, sale and improvement of disposable City properties. Use of the Reserve's funds for any other purpose requires the authorization of City Council. This Reserve is maintained by the proceeds from the sale of City-owned properties and interest earned.

In accordance with City Council directives, 5% of the gross sales revenue is allocated to the Historical Building Program and another 5% of gross sales revenue is allocated to the Enhanced Land Marketing Program to finance those activities necessary to facilitate the sale of surplus lands.

City Council, on July 19, 1999, adopted a policy that in order to sustain the business operations supported by the Reserve, equity be allowed to accumulate within the Reserve sufficient to eliminate the inter-fund debt owing to the General Revenue Fund created in past years. Any surplus funds greater than the amount required for the purposes of the Land Operating Reserve Fund and meeting the annual budgeted transfer to the General Revenue Fund is to be transferred to the Commitment Reserve Fund.

The Director of Planning, Property and Development is the Fund Manager.

## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES (continued)**

### **Wading and Outdoor Pool Extended Season Reserve Fund**

The Recreation Programming Reserve Fund was created by City Council on October 6, 1976 from cumulative surpluses and deficits of former Parks and Recreation Boards and Commissions as at December 31, 1976. These funds along with any forthcoming revenues and expenses were to be segregated by Community Committee and used for recreation programming projects in that Community.

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season.

With the adoption of the 2013 tax-supported budget City Council approved the Recreation Programming Reserve be renamed the Wading and Outdoor Pool Extended Season Reserve and that the original recreation programming subcomponent of the Recreation Programming Reserve be closed. The annual transfer from the General Revenue Fund is budgeted at \$490 thousand with adjustments made during the year depending on the actual cost of the extended season.

The Director of Community Services is the Fund Manager.

### **Snow Clearing Reserve Fund**

The purpose of the fund is to absorb unexpected snowfall costs in years where the City experienced above average snowfall levels.

On December 14, 2004, City Council approved the establishment of a new Snow Clearing Reserve with the same purpose and guidelines as the former Reserve (established on March 22, 1995) with the exception that City Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the Reserve. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. The Reserve balance should never exceed \$10.9 million.

On March 26, 2008, City Council further approved that the former restrictions on charges to the Snow Clearing Reserve in any one year be rescinded, and that no minimum balance be required (previously set at \$5.0 million) before any charges can be made to the Reserve. The Director of Public Works is the Fund Manager.

### **Commitment Reserve Fund**

On March 12, 1998, City Council approved the establishment of the Commitment Reserve Fund. The purpose of the fund is to allow departments to carry forward committed budget dollars to the succeeding year thereby eliminating the need to re-budget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Financial Stabilization Reserve Fund.

On July 19, 1999, City Council further approved that at year-end, on an annual basis, any surplus funds greater than the amount required for the purposes of the Land Operating Reserve Fund be transferred to the Commitment Reserve Fund, which can then only be spent on one-time or capital costs in the following year. As with other contributions to this Reserve, the funds must be spent in the year following the transfer, otherwise the unspent amount may be transferred to the Financial Stabilization Reserve Fund.

The Chief Financial Officer is the Fund Manager.

## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES (continued)**

### **Heritage Investment Reserve Fund**

The Heritage Investment Reserve Fund was created by City Council on June 21, 2000. It funds all City and City-sponsored heritage programs and acts as a revolving fund so that future funding of heritage programs can be sustained and thereby reduces the need to obtain additional funding. An important source of ongoing funding for the Reserve will be incremental tax revenues from projects financed by the Fund.

The Director of Planning, Property and Development is the Fund Manager.

### **Housing Rehabilitation Investment Reserve Fund**

The Housing Rehabilitation Investment Reserve Fund was created by City Council on June 21, 2000. It funds City housing programs not provided for in operating budgets. It is intended that this Reserve act as a revolving fund so that incremental tax revenues resulting from housing programs in which the Reserve has invested would be returned to the Reserve to finance future projects.

The Director of Planning, Property and Development is the Fund Manager.

### **Economic Development Investment Reserve Fund**

The Economic Development Investment Reserve Fund was created by City Council on June 21, 2000. It is intended to fund City economic development incentive and investment projects. This Reserve invests directly in particular projects rather than be a funding mechanism for programs. The incremental portion of realty and business taxes generated by projects in which the fund has invested will be returned to the Reserve until the original investment has been repaid.

The Director of Planning, Property and Development is the Fund Manager.

### **General Purpose Reserve Fund**

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve was contingent upon approval by City Council.

On May 23, 2001, City Council approved the amalgamation of the Pension Stabilization Reserve and Pension Surplus Reserve Funds and the new Fund be renamed the General Purpose Reserve Fund.

The City Treasurer is the Fund Manager.

## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES (continued)**

### **Multiple-Family Dwelling Tax Investment Reserve Fund**

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

The Director of Planning, Property and Development is the Fund Manager.

### **Insect Control Urgent Expenditures Reserve Fund**

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels.

The Reserve balance should never exceed \$3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of \$3.0 million in the event of insufficient funds.

The Director of Public Works is the Fund Manager.

### **Permit Reserve Fund**

On March 20, 2007, City Council approved the establishment of the Permit Reserve Fund. The purpose of the Reserve is to mitigate revenue shortfalls and fund temporary staffing needs during busy periods through economic boom/bust cycles. The Reserve is also meant to provide a source of funds for service and system improvements. The Reserve is funded by the excess of permit revenue in the General Revenue Fund compared to budget in any given year. The balance in the Reserve is capped at \$3.0 million and any surplus funds over and above the cap are to be transferred to the General Revenue Fund.

On March 22, 2011, City Council approved the cap be revised to \$2.0 million and any surplus funds above the cap be transferred to the Planning, Property and Development department that is reported in the General Revenue Fund.

The Director of Planning, Property and Development is the Fund Manager.

### **Destination Marketing Reserve Fund**

On October 22, 2008, City Council approved the creation of the Destination Marketing Reserve Fund with an effective date of January 1, 2009. The purpose of the Reserve is to support Economic Development Winnipeg Inc., The Convention Centre Corporation and special events including other organizations, projects and events that will encourage tourists to visit Winnipeg. The source of revenue for the Reserve is a 5% accommodation tax, which was adopted by City Council on April 23, 2008.

The Chief Financial Officer is the Fund Manager.

# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### FIVE-YEAR REVIEW

December 31

("\$" amounts in thousands of dollars)

(unaudited)

|  | 2013      | 2012      | 2011      | 2010      | 2009      |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>Workers Compensation Reserve Fund</b>                     |           |           |           |           |           |
| Call loans - General   |           |           |           |           |           |
| Revenue Fund   | \$ 2,633  | \$ 3,367  | \$ 2,882  | \$ 2,758  | \$ 1,183  |
| Investments  | \$ 2,083  | \$ 1,000  | \$ 999    | \$ -      | \$ 1,990  |
| Interest earned  | \$ 55     | \$ 47     | \$ 27     | \$ 18     | \$ 13     |
| <b>Brookside Cemetery Reserve Fund</b>                       |           |           |           |           |           |
| Call loans - General   |           |           |           |           |           |
| Revenue Fund   | \$ 468    | \$ 470    | \$ 426    | \$ 1,263  | \$ 1,334  |
| Investments  | \$ 13,848 | \$ 13,344 | \$ 12,340 | \$ 11,193 | \$ 10,617 |
| Interest earned  | \$ 618    | \$ 612    | \$ 606    | \$ 741    | \$ 533    |
| <b>St. Vital Cemetery Reserve Fund</b>                       |           |           |           |           |           |
| Call loans - General   |           |           |           |           |           |
| Revenue Fund   | \$ 40     | \$ 5      | \$ 136    | \$ 100    | \$ 51     |
| Investments  | \$ 799    | \$ 799    | \$ 649    | \$ 635    | \$ 655    |
| Interest earned  | \$ 36     | \$ 34     | \$ 52     | \$ 29     | \$ 33     |
| <b>Transcona Cemetery Reserve Fund</b>                       |           |           |           |           |           |
| Call loans - General   |           |           |           |           |           |
| Revenue Fund   | \$ 25     | \$ 5      | \$ 88     | \$ 95     | \$ 62     |
| Investments  | \$ 564    | \$ 563    | \$ 464    | \$ 423    | \$ 436    |
| Interest earned  | \$ 25     | \$ 25     | \$ 37     | \$ 19     | \$ 23     |
| <b>Insurance Reserve Fund</b>                                |           |           |           |           |           |
| Call loans - General   |           |           |           |           |           |
| Revenue Fund   | \$ 4,841  | \$ 5,603  | \$ 4,103  | \$ 2,527  | \$ (238)  |
| Investments  | \$ 3,124  | \$ 1,000  | \$ 999    | \$ 926    | \$ 1,842  |
| Interest earned  | \$ 74     | \$ 59     | \$ 39     | \$ 65     | \$ 80     |
| <b>Contributions in Lieu of Land Dedication Reserve Fund</b> |           |           |           |           |           |
| Cash dedications revenue                                     | \$ 1,108  | \$ 752    | \$ 707    | \$ 289    | \$ 2,564  |
| Interest earned  | \$ 47     | \$ 46     | \$ 45     | \$ 27     | \$ 15     |
| Park improvement expenses                                    | \$ 827    | \$ 432    | \$ 416    | \$ 858    | \$ 693    |
| <b>Land Operating Reserve Fund</b>                           |           |           |           |           |           |
| Number of properties sold                                    | 27        | 47        | 37        | 70        | 96        |
| Number acquired - tax sale                                   | 10        | 2         | 4         | -         | -         |
| Number exchanged   | -         | 1         | -         | 2         | 1         |
| <b>Wading and Outdoor Pool Extended Season Reserve Fund</b>  |           |           |           |           |           |
| Transfer from  |           |           |           |           |           |
| General Revenue Fund   | \$ 536    | \$ 279    | \$ 490    | \$ 330    | \$ 447    |
| Total expenses   | \$ 543    | \$ 550    | \$ 271    | \$ 338    | \$ 452    |
| Number approved  |           |           |           |           |           |
| Programs/Projects  | -         | -         | 4         | 11        | 2         |

# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### FIVE-YEAR REVIEW (continued)

December 31

("\$" amounts in thousands of dollars)

(unaudited)

|   | 2013        | 2012     | 2011     | 2010       | 2009       |
|---|-------------|----------|----------|------------|------------|
| <b>Snow Clearing Reserve Fund</b>                           |             |          |          |            |            |
| Transfer (to)/from  |             |          |          |            |            |
| General Revenue Fund  | \$ -        | \$ -     | \$ -     | \$ -       | \$ (4,370) |
| <b>Commitment Reserve Fund</b>                              |             |          |          |            |            |
| Allocation of equity:                                       |             |          |          |            |            |
| Corporate and other   | \$ 950      | \$ 3,308 | \$ 961   | \$ 355     | \$ 837     |
| Planning, Property and                                      |             |          |          |            |            |
| Development   | 46          | 494      | -        | -          | 155        |
| Community Services  | 347         | 441      | 128      | 414        | 361        |
| Police Service  | 700         | 205      | 882      | -          | 94         |
| Corporate Support   |             |          |          |            |            |
| Services  | 296         | 150      | -        | -          | 1,208      |
| Fire Paramedic Services                                     | 648         | -        | 239      | 300        | 157        |
| Public Works  | 1,106       | -        | 135      | -          | -          |
| Assessment and Taxation                                     | -           | -        | -        | -          | 75         |
|   | \$ 4,093    | \$ 4,598 | \$ 2,345 | \$ 1,069   | \$ 2,887   |
| <b>Heritage Investment Reserve Fund</b>                     |             |          |          |            |            |
| Municipal realty  |             |          |          |            |            |
| tax revenue   | \$ 983      | \$ 1,095 | \$ 1,199 | \$ 1,031   | \$ 1,211   |
| <b>Housing Rehabilitation Investment Reserve Fund</b>       |             |          |          |            |            |
| Grant expense   | \$ 8,914    | \$ 852   | \$ 919   | \$ 808     | \$ 825     |
| <b>Economic Development Investment Reserve Fund</b>         |             |          |          |            |            |
| Municipal realty  |             |          |          |            |            |
| tax revenue   | \$ 210      | \$ 648   | \$ 263   | \$ 87      | \$ 7       |
| <b>General Purpose Reserve Fund</b>                         |             |          |          |            |            |
| Net transfer from (to)                                      |             |          |          |            |            |
| General Revenue Fund  | \$ (12,500) | \$ 5,158 | \$ 1,700 | \$ (5,283) | \$ 8,993   |
| Net transfer from (to)                                      |             |          |          |            |            |
| General Capital Fund  | \$ (275)    | \$ (370) | \$ 2,106 | \$ (1,700) | \$ 12      |
| Grants  | \$ -        | \$ -     | \$ -     | \$ -       | \$ -       |
| Interest earned   | \$ 85       | \$ 102   | \$ 63    | \$ 69      | \$ 23      |
| <b>Multiple-Family Dwelling Tax Investment Reserve Fund</b> |             |          |          |            |            |
| Municipal realty tax revenue                                | \$ 2,081    | \$ 2,198 | \$ 2,259 | \$ 1,793   | \$ 941     |
| Interest earned   | \$ 67       | \$ 51    | \$ 38    | \$ 14      | \$ 8       |
| <b>Insect Control Urgent Expenditures Reserve Fund</b>      |             |          |          |            |            |
| Net transfer from (to)                                      |             |          |          |            |            |
| General Revenue Fund  | \$ 436      | \$ 153   | \$ 2,323 | \$ 112     | \$ (321)   |



# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### FIVE-YEAR REVIEW (continued)

December 31

("\$" amounts in thousands of dollars)

(unaudited)

|   | <u>2013</u>     | <u>2012</u>     | <u>2011</u>     | <u>2010</u>     | <u>2009</u>     |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Permit Reserve Fund</b>                |                 |                 |                 |                 |                 |
| Net transfer (to) from                    |                 |                 |                 |                 |                 |
| General Revenue Fund                      | \$ (13)         | \$ (30)         | \$ (769)        | \$ 1,686        | \$ (391)        |
| <b>Destination Marketing Reserve Fund</b> |                 |                 |                 |                 |                 |
| Accommodation tax revenue                 | <u>\$ 7,451</u> | <u>\$ 7,684</u> | <u>\$ 7,585</u> | <u>\$ 7,053</u> | <u>\$ 6,820</u> |
| Grants expense:                           |                 |                 |                 |                 |                 |
| Economic Development                      |                 |                 |                 |                 |                 |
| Winnipeg Inc.                             | \$ 2,619        | \$ 2,989        | \$ 2,606        | \$ 2,638        | \$ 3,060        |
| The Convention Centre Corporation Inc.    | <u>1,924</u>    | <u>2,155</u>    | <u>2,415</u>    | <u>1,500</u>    | <u>1,500</u>    |
|   | <u>\$ 4,543</u> | <u>\$ 5,144</u> | <u>\$ 5,021</u> | <u>\$ 4,138</u> | <u>\$ 4,560</u> |

# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | <b>Workers<br/>Compensation<br/>Reserve</b> | <b>Brookside<br/>Cemetery<br/>Reserve</b> | <b>St. Vital<br/>Cemetery<br/>Reserve</b> | <b>Sub-Total</b> |
|---|---|---|---|------------------|
| <b>ASSETS</b>                                 |   |   |   |                  |
| Current                                       |   |   |   |                  |
| Due from General Revenue<br>Fund (Note 3)     | \$ -  | \$ -                                      | \$ -                                      | \$ -             |
| Call loans -<br>General Revenue Fund (Note 4) | 2,633                                       | 468                                       | 40  | 3,141            |
| Accounts receivable                           | 10  | 114                                       | 11  | 135              |
| Land held for resale                          | -   | -   | -   | -                |
|   | <b>2,643</b>                                | <b>582</b>                                | <b>51</b>                                 | <b>3,276</b>     |
| Investments (Note 5)                          | 2,083                                       | 13,848                                    | 799                                       | 16,730           |
| Investment in government business (Note 6)    | -   | -   | -   | -                |
| Deferred charges                              | -   | -   | -   | -                |
|   | <b>\$ 4,726</b>                             | <b>\$ 14,430</b>                          | <b>\$ 850</b>                             | <b>\$ 20,006</b> |
| <b>LIABILITIES</b>                            |   |   |   |                  |
| Current                                       |   |   |   |                  |
| Accounts payable                              | \$ -  | \$ -                                      | \$ -                                      | \$ -             |
| Deferred Revenue                              | -   | -   | -   | -                |
| Due to Winnipeg Parking<br>Authority - SOA    | -   | -   | -   | -                |
|   | <b>-</b>                                    | <b>-</b>                                  | <b>-</b>                                  | <b>-</b>         |
| <b>EQUITY</b>                                 |   |   |   |                  |
| Contributed surplus (Note 7)                  | -   | -   | -   | -                |
| Allocated                                     | -   | -   | -   | -                |
| Unallocated                                   | 4,726                                       | 14,430                                    | 850                                       | 20,006           |
|   | <b>4,726</b>                                | <b>14,430</b>                             | <b>850</b>                                | <b>20,006</b>    |
|   | <b>\$ 4,726</b>                             | <b>\$ 14,430</b>                          | <b>\$ 850</b>                             | <b>\$ 20,006</b> |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | <b>Sub-Total<br/>Brought<br/>Forward</b> | <b>Transcona<br/>Cemetery<br/>Reserve</b> | <b>Insurance<br/>Reserve</b> | <b>Land<br/>Dedication<br/>Reserve</b> |
|---|--|---|------------------------------|--|
| <b>ASSETS</b>                                 |  |   |                              |  |
| Current                                       |  |   |                              |  |
| Due from General Revenue<br>Fund (Note 3)     | \$ -                                     | \$ -                                      | \$ -                         | \$ 5,049                               |
| Call loans -<br>General Revenue Fund (Note 4) | 3,141                                    | 25  | 4,841                        | -                                      |
| Accounts receivable                           | 135                                      | 7   | 15                           | -                                      |
| Land held for resale                          | -  | -   | -                            | -                                      |
|   | <b>3,276</b>                             | <b>32</b>                                 | <b>4,856</b>                 | <b>5,049</b>                           |
| Investments (Note 5)                          | 16,730                                   | 564                                       | 3,124                        | -                                      |
| Investment in government business (Note 6)    | -  | -   | -                            | -                                      |
| Deferred charges                              | -  | -   | -                            | -                                      |
|   | <b>\$ 20,006</b>                         | <b>\$ 596</b>                             | <b>\$ 7,980</b>              | <b>\$ 5,049</b>                        |
| <b>LIABILITIES</b>                            |  |   |                              |  |
| Current                                       |  |   |                              |  |
| Accounts payable                              | \$ -                                     | \$ -                                      | \$ -                         | \$ -                                   |
| Deferred Revenue                              | -  | -   | -                            | -                                      |
| Due to Winnipeg Parking<br>Authority - SOA    | -  | -   | -                            | -                                      |
|   | -  | -   | -                            | -                                      |
| <b>EQUITY</b>                                 |  |   |                              |  |
| Contributed surplus (Note 7)                  | -  | -   | -                            | -                                      |
| Allocated                                     | -  | -   | -                            | -                                      |
| Unallocated                                   | 20,006                                   | 596                                       | 7,980                        | 5,049                                  |
|   | <b>20,006</b>                            | <b>596</b>                                | <b>7,980</b>                 | <b>5,049</b>                           |
|   | <b>\$ 20,006</b>                         | <b>\$ 596</b>                             | <b>\$ 7,980</b>              | <b>\$ 5,049</b>                        |

*See accompanying notes to the financial statements*

| <b>Land<br/>Operating<br/>Reserve</b> | <b>Wading &amp;<br/>Outdoor<br/>Pool<br/>Extended<br/>Season<br/>Reserve</b> | <b>Snow<br/>Clearing<br/>Reserve</b> | <b>Commitment<br/>Reserve</b> | <b>Heritage<br/>Investment<br/>Reserve</b> | <b>Housing<br/>Rehabilitation<br/>Reserve</b> | <b>Sub-Total</b> |
|---------------------------------------|--|--------------------------------------|-------------------------------|--|---|------------------|
| \$ 5,367                              | \$ -   | \$ -                                 | \$ 4,093                      | \$ 92                                      | \$ 6,185                                      | \$ 20,786        |
| -                                     | -  | -                                    | -                             | -  | -   | 8,007            |
| 10,321                                | -  | -                                    | -                             | 731  | -   | 11,209           |
| 14,689                                | -  | -                                    | -                             | -  | -   | 14,689           |
| 30,377                                | -  | -                                    | 4,093                         | 823  | 6,185   | 54,691           |
| 354                                   | -  | -                                    | -                             | -  | -   | 20,772           |
| 11,704                                | -  | -                                    | -                             | -  | -   | 11,704           |
| 58                                    | -  | -                                    | -                             | -  | -   | 58               |
| <u>\$ 42,493</u>                      | <u>\$ -</u>  | <u>\$ -</u>                          | <u>\$ 4,093</u>               | <u>\$ 823</u>                              | <u>\$ 6,185</u>                               | <u>\$ 87,225</u> |
| \$ 16,996                             | \$ -   | \$ -                                 | \$ -                          | \$ -                                       | \$ 954  | \$ 17,950        |
| -                                     | -  | -                                    | -                             | -  | 2,106   | 2,106            |
| 10,000                                | -  | -                                    | -                             | -  | -   | -                |
| 26,996                                | -  | -                                    | -                             | -  | -   | 10,000           |
| 8,425                                 | -  | -                                    | -                             | -  | 3,060   | 30,056           |
| (2)                                   | -  | -                                    | -                             | -  | -   | 8,425            |
| 7,074                                 | -  | -                                    | 4,093                         | 823  | 3,125   | (2)              |
| 7,072                                 | -  | -                                    | 4,093                         | 823  | 3,125   | 48,746           |
| \$ 42,493                             | \$ -   | \$ -                                 | \$ 4,093                      | \$ 823                                     | \$ 6,185                                      | 48,744           |
| <u>\$ 42,493</u>                      | <u>\$ -</u>  | <u>\$ -</u>                          | <u>\$ 4,093</u>               | <u>\$ 823</u>                              | <u>\$ 6,185</u>                               | <u>\$ 87,225</u> |

# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | <b>Sub-Total<br/>Brought<br/>Forward</b> | <b>Economic<br/>Development<br/>Reserve</b> | <b>General<br/>Purpose<br/>Reserve</b> | <b>Multiple-Family<br/>Dwelling<br/>Reserve</b> |
|---|--|---|--|---|
| <b>ASSETS</b>                                 |  |   |  |   |
| Current                                       |  |   |  |   |
| Due from General Revenue<br>Fund (Note 3)     | \$ 20,786                                | \$ 2,341                                    | \$ 3,204                               | \$ 7,006  |
| Call loans -<br>General Revenue Fund (Note 4) | 8,007                                    | -   | -                                      | -   |
| Accounts receivable                           | 11,209                                   | -   | -                                      | -   |
| Land held for resale                          | 14,689                                   | -   | -                                      | -   |
|   | <b>54,691</b>                            | <b>2,341</b>                                | <b>3,204</b>                           | <b>7,006</b>                                    |
| Investments (Note 5)                          | 20,772                                   | -   | -                                      | -   |
| Investment in government business (Note 6)    | 11,704                                   | -   | -                                      | -   |
| Deferred charges                              | 58                                       | -   | -                                      | -   |
|   | <b>\$ 87,225</b>                         | <b>\$ 2,341</b>                             | <b>\$ 3,204</b>                        | <b>\$ 7,006</b>                                 |
| <b>LIABILITIES</b>                            |  |   |  |   |
| Current                                       |  |   |  |   |
| Accounts payable                              | \$ 17,950                                | \$ -  | \$ -                                   | \$ -  |
| Deferred Revenue                              | 2,106                                    | -   | -                                      | -   |
| Due to Winnipeg Parking<br>Authority - SOA    | 10,000                                   | -   | -                                      | -   |
|   | <b>30,056</b>                            | <b>-</b>                                    | <b>-</b>                               | <b>-</b>  |
| <b>EQUITY</b>                                 |  |   |  |   |
| Contributed surplus (Note 7)                  | 8,425                                    | -   | -                                      | -   |
| Allocated                                     | (2)                                      | -   | -                                      | -   |
| Unallocated                                   | 48,746                                   | 2,341                                       | 3,204                                  | 7,006   |
|   | <b>48,744</b>                            | <b>2,341</b>                                | <b>3,204</b>                           | <b>7,006</b>                                    |
|   | <b>\$ 87,225</b>                         | <b>\$ 2,341</b>                             | <b>\$ 3,204</b>                        | <b>\$ 7,006</b>                                 |

*See accompanying notes to the financial statements*

| <b>Insect<br/>Control<br/>Reserve</b> | <b>Permit<br/>Reserve</b> | <b>Destination<br/>Marketing<br/>Reserve</b> | <b>Totals<br/>2013</b> | <b>Totals<br/>2012</b> |
|---------------------------------------|---------------------------|--|------------------------|------------------------|
| <b>\$ 3,000</b>                       | <b>\$ 2,001</b>           | <b>\$ 11,068</b>                             | <b>\$ 49,406</b>       | \$ 63,997              |
| -                                     | -                         | -  | <b>8,007</b>           | 9,450                  |
| -                                     | -                         | <b>500</b>                                   | <b>11,709</b>          | 4,067                  |
| -                                     | -                         | -  | <b>14,689</b>          | 12,627                 |
| <b>3,000</b>                          | <b>2,001</b>              | <b>11,568</b>                                | <b>83,811</b>          | 90,141                 |
| -                                     | -                         | -  | <b>20,772</b>          | 17,878                 |
| -                                     | -                         | -  | <b>11,704</b>          | 7,602                  |
| -                                     | -                         | -  | <b>58</b>              | 57                     |
| <b>\$ 3,000</b>                       | <b>\$ 2,001</b>           | <b>\$ 11,568</b>                             | <b>\$ 116,345</b>      | <b>\$ 115,678</b>      |
| <b>\$ -</b>                           | <b>\$ -</b>               | <b>\$ -</b>                                  | <b>\$ 17,950</b>       | \$ 7,034               |
| -                                     | -                         | -  | <b>2,106</b>           | -                      |
| -                                     | -                         | -  | <b>10,000</b>          | 10,000                 |
| -                                     | -                         | -  | <b>30,056</b>          | 17,034                 |
| -                                     | -                         | -  | <b>8,425</b>           | 8,425                  |
| -                                     | -                         | <b>11,568</b>                                | <b>11,566</b>          | 12,727                 |
| <b>3,000</b>                          | <b>2,001</b>              | -  | <b>66,298</b>          | 77,492                 |
| <b>3,000</b>                          | <b>2,001</b>              | <b>11,568</b>                                | <b>77,864</b>          | 90,219                 |
| <b>\$ 3,000</b>                       | <b>\$ 2,001</b>           | <b>\$ 11,568</b>                             | <b>\$ 116,345</b>      | <b>\$ 115,678</b>      |

# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(in thousands of dollars)

(unaudited)

|   | Workers<br>Compensation<br>Reserve | Brookside<br>Cemetery<br>Reserve | St. Vital<br>Cemetery<br>Reserve | Transcona<br>Cemetery<br>Reserve |
|---|------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Balance, beginning of year                                      | \$ 4,368                           | \$ 13,935                        | \$ 814                           | \$ 576                           |
| Add:  |                                    |                                  |                                  |                                  |
| Transfer from General Revenue Fund                              | -                                  | 71                               | 18                               | 8                                |
| Other (Note 6)  | 1,410                              | 161                              | -                                | -                                |
| Accommodation tax   | -                                  | -                                | -                                | -                                |
| Land sales  | -                                  | -                                | -                                | -                                |
| Municipal realty tax  | -                                  | -                                | -                                | -                                |
| Interest earned   | 55                                 | 618                              | 36                               | 25                               |
| Cash payments-in-lieu of land dedication                        | -                                  | -                                | -                                | -                                |
| Transfer from General Purpose Reserve                           | -                                  | -                                | -                                | -                                |
| Transfer from Waterworks System Fund                            | -                                  | -                                | -                                | -                                |
| Transfer from Transit System Fund                               | -                                  | -                                | -                                | -                                |
| Transfer from Land Operating Reserve                            | -                                  | -                                | -                                | -                                |
| Transfer from General Capital Fund                              | -                                  | -                                | -                                | -                                |
| Transfer from Solid Waste Disposal Fund                         | -                                  | -                                | -                                | -                                |
| Transfer from Sewage Disposal System Fund                       | -                                  | -                                | -                                | -                                |
| Transfer from Winnipeg Parking - SOA                            | -                                  | -                                | -                                | -                                |
| Transfer from Animal Services - SOA                             | -                                  | -                                | -                                | -                                |
|   | <u>1,465</u>                       | <u>850</u>                       | <u>54</u>                        | <u>33</u>                        |
| Deduct:   |                                    |                                  |                                  |                                  |
| Transfer to General Revenue Fund                                | 1,000                              | 311                              | 16                               | 11                               |
| Grants  | -                                  | -                                | -                                | -                                |
| Transfer to General Capital Fund                                | -                                  | -                                | -                                | -                                |
| Other   | 93                                 | -                                | -                                | -                                |
| Cost of sales   | -                                  | -                                | -                                | -                                |
| Transfer to General Revenue Enterprises                         | -                                  | -                                | -                                | -                                |
| Transfer to Municipal Accommodations Fund                       | -                                  | -                                | -                                | -                                |
| Transfer to Contributions in Lieu of<br>Land Dedication Reserve | -                                  | -                                | -                                | -                                |
| Transfer to General Revenue Fund -<br>investment management fee | 14                                 | 44                               | 2                                | 2                                |
| Transfer to Financial Stabilization Reserve                     | -                                  | -                                | -                                | -                                |
| Transfer to Fleet Management - SOA                              | -                                  | -                                | -                                | -                                |
| Transfer to Golf Services - SOA                                 | -                                  | -                                | -                                | -                                |
| Transfer to Transit   | -                                  | -                                | -                                | -                                |
| Transfer to Heritage Reserve                                    | -                                  | -                                | -                                | -                                |
|   | <u>1,107</u>                       | <u>355</u>                       | <u>18</u>                        | <u>13</u>                        |
| Balance, end of year  | <u>\$ 4,726</u>                    | <u>\$ 14,430</u>                 | <u>\$ 850</u>                    | <u>\$ 596</u>                    |

See accompanying notes to the financial statements

| <b>Insurance<br/>Reserve</b> | <b>Land<br/>Dedication<br/>Reserve</b> | <b>Land<br/>Operating<br/>Reserve</b> | <b>Wading &amp;<br/>Outdoor<br/>Pool<br/>Extended<br/>Season<br/>Reserve</b> | <b>Snow<br/>Clearing<br/>Reserve</b> | <b>Sub-Total</b> |
|------------------------------|--|---------------------------------------|--|--------------------------------------|------------------|
| <b>\$ 6,604</b>              | <b>\$ 4,850</b>                        | <b>\$ 4,803</b>                       | <b>\$ 5</b>  | <b>\$ -</b>                          | <b>\$ 35,955</b> |
| 1,193                        | -                                      | -                                     | 536  | -                                    | 1,826            |
| -                            | -                                      | 5,000                                 | -  | -                                    | 6,571            |
| -                            | -                                      | -                                     | -  | -                                    | -                |
| -                            | -                                      | 39,182                                | -  | -                                    | 39,182           |
| -                            | -                                      | -                                     | -  | -                                    | -                |
| 74                           | 47                                     | 256                                   | 2  | -                                    | 1,113            |
| -                            | 1,108                                  | -                                     | -  | -                                    | 1,108            |
| -                            | -                                      | -                                     | -  | -                                    | -                |
| 193                          | -                                      | -                                     | -  | -                                    | 193              |
| -                            | -                                      | -                                     | -  | -                                    | -                |
| -                            | 95                                     | -                                     | -  | -                                    | 95               |
| -                            | -                                      | 2,515                                 | -  | -                                    | 2,515            |
| 15                           | -                                      | -                                     | -  | -                                    | 15               |
| 831                          | -                                      | -                                     | -  | -                                    | 831              |
| 1                            | -                                      | -                                     | -  | -                                    | 1                |
| -                            | -                                      | -                                     | -  | -                                    | -                |
| 2,307                        | 1,250                                  | 46,953                                | 538  | -                                    | 53,450           |
| 500                          | -                                      | 6,935                                 | -  | -                                    | 8,773            |
| -                            | -                                      | 10,000                                | -  | -                                    | 10,000           |
| -                            | 129                                    | 2,108                                 | -  | -                                    | 2,237            |
| 53                           | 907                                    | 2,697                                 | 288  | -                                    | 4,038            |
| -                            | -                                      | 2,207                                 | -  | -                                    | 2,207            |
| -                            | -                                      | 20,569                                | -  | -                                    | 20,569           |
| 186                          | -                                      | -                                     | 254  | -                                    | 440              |
| -                            | -                                      | 95                                    | -  | -                                    | 95               |
| -                            | -                                      | -                                     | -  | -                                    | -                |
| 19                           | 15                                     | 73                                    | 1  | -                                    | 170              |
| -                            | -                                      | -                                     | -  | -                                    | -                |
| 80                           | -                                      | -                                     | -  | -                                    | 80               |
| 8                            | -                                      | -                                     | -  | -                                    | 8                |
| 85                           | -                                      | -                                     | -  | -                                    | 85               |
| -                            | -                                      | -                                     | -  | -                                    | -                |
| 931                          | 1,051                                  | 44,684                                | 543  | -                                    | 48,702           |
| <b>\$ 7,980</b>              | <b>\$ 5,049</b>                        | <b>\$ 7,072</b>                       | <b>\$ -</b>  | <b>\$ -</b>                          | <b>\$ 40,703</b> |



# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(in thousands of dollars)

(unaudited)

|   | Sub-Total<br>Brought<br>Forward | Commitment<br>Reserve | Heritage<br>Investment<br>Reserve | Housing<br>Rehabilitation<br>Reserve |
|---|---------------------------------|-----------------------|-----------------------------------|--------------------------------------|
| Balance, beginning of year                                      | \$ 35,955                       | \$ 4,598              | \$ 2,920                          | \$ 4,797                             |
| Add:  |                                 |                       |                                   |                                      |
| Transfer from General Revenue Fund                              | 1,826                           | 2,857                 | -                                 | 1,516                                |
| Other   | 6,571                           | -                     | -                                 | 5,695                                |
| Accommodation tax   | -                               | -                     | -                                 | -                                    |
| Land sales  | 39,182                          | -                     | -                                 | -                                    |
| Municipal realty tax  | -                               | -                     | 983                               | -                                    |
| Interest earned   | 1,113                           | -                     | 18                                | 50                                   |
| Cash payments-in-lieu of land dedication                        | 1,108                           | -                     | -                                 | -                                    |
| Transfer from General Purpose Reserve                           | -                               | -                     | 275                               | -                                    |
| Transfer from Waterworks System Fund                            | 193                             | -                     | -                                 | -                                    |
| Transfer from Transit System Fund                               | -                               | -                     | -                                 | -                                    |
| Transfer from Land Operating Reserve                            | 95                              | -                     | -                                 | -                                    |
| Transfer from General Capital Fund                              | 2,515                           | -                     | -                                 | -                                    |
| Transfer from Solid Waste Disposal Fund                         | 15                              | -                     | -                                 | -                                    |
| Transfer from Sewage Disposal System Fund                       | 831                             | -                     | -                                 | -                                    |
| Transfer from Winnipeg Parking - SOA                            | 1                               | -                     | -                                 | -                                    |
| Transfer from Animal Services - SOA                             | -                               | -                     | -                                 | -                                    |
|   | <u>53,450</u>                   | <u>2,857</u>          | <u>1,276</u>                      | <u>7,261</u>                         |
| Deduct:   |                                 |                       |                                   |                                      |
| Transfer to General Revenue Fund                                | 8,773                           | -                     | 820                               | -                                    |
| Grants  | 10,000                          | 519                   | 1,500                             | 8,914                                |
| Transfer to General Capital Fund                                | 2,237                           | 369                   | -                                 | -                                    |
| Other   | 4,038                           | 1,933                 | 1,050                             | 3                                    |
| Cost of sales   | 2,207                           | -                     | -                                 | -                                    |
| Transfer to General Revenue Enterprises                         | 20,569                          | -                     | -                                 | -                                    |
| Transfer to Municipal Accommodations Fund                       | 440                             | -                     | -                                 | -                                    |
| Transfer to Contributions in Lieu of<br>Land Dedication Reserve | 95                              | -                     | -                                 | -                                    |
| Transfer to General Revenue Fund -<br>investment management fee | 170                             | -                     | 3                                 | 16                                   |
| Transfer to Financial Stabilization Reserve                     | -                               | 541                   | -                                 | -                                    |
| Transfer to Fleet Management - SOA                              | 80                              | -                     | -                                 | -                                    |
| Transfer to Golf Services - SOA                                 | 8                               | -                     | -                                 | -                                    |
| Transfer to Transit   | 85                              | -                     | -                                 | -                                    |
| Transfer to Heritage Reserve                                    | -                               | -                     | -                                 | -                                    |
|   | <u>48,702</u>                   | <u>3,362</u>          | <u>3,373</u>                      | <u>8,933</u>                         |
| Balance, end of year  | <u>\$ 40,703</u>                | <u>\$ 4,093</u>       | <u>\$ 823</u>                     | <u>\$ 3,125</u>                      |

See accompanying notes to the financial statements

| <b>Economic<br/>Development<br/>Reserve</b> | <b>General<br/>Purpose<br/>Reserve</b> | <b>Multiple-Family<br/>Dwelling<br/>Reserve</b> | <b>Insect<br/>Control<br/>Reserve</b> | <b>Permit<br/>Reserve</b> | <b>Sub-Total</b> |
|---|--|---|---------------------------------------|---------------------------|------------------|
| <b>\$ 2,225</b>                             | <b>\$ 15,921</b>                       | <b>\$ 6,073</b>                                 | <b>\$ 3,000</b>                       | <b>\$ 2,001</b>           | <b>\$ 77,490</b> |
| -   | -                                      | -   | 1,736                                 | 932                       | 8,867            |
| -   | -                                      | -   | -                                     | -                         | 12,266           |
| -   | -                                      | -   | -                                     | -                         | -                |
| -   | -                                      | -   | -                                     | -                         | 39,182           |
| 210   | -                                      | 2,081   | -                                     | -                         | 3,274            |
| 22  | 85                                     | 67  | 16                                    | 19                        | 1,390            |
| -   | -                                      | -   | -                                     | -                         | 1,108            |
| -   | -                                      | -   | -                                     | -                         | 275              |
| -   | -                                      | -   | -                                     | -                         | 193              |
| -   | -                                      | -   | -                                     | -                         | -                |
| -   | -                                      | -   | -                                     | -                         | 95               |
| -   | -                                      | -   | -                                     | -                         | 2,515            |
| -   | -                                      | -   | -                                     | -                         | 15               |
| -   | -                                      | -   | -                                     | -                         | 831              |
| -   | -                                      | -   | -                                     | -                         | 1                |
| -   | -                                      | -   | -                                     | -                         | -                |
| <b>232</b>                                  | <b>85</b>                              | <b>2,148</b>                                    | <b>1,752</b>                          | <b>951</b>                | <b>70,012</b>    |
| -   | 12,500                                 | -   | 1,300                                 | 945                       | 24,338           |
| 109   | -                                      | 1,194   | -                                     | -                         | 22,236           |
| -   | -                                      | -   | -                                     | -                         | 2,606            |
| -   | -                                      | -   | 447                                   | -                         | 7,471            |
| -   | -                                      | -   | -                                     | -                         | 2,207            |
| -   | -                                      | -   | -                                     | -                         | 20,569           |
| -   | -                                      | -   | -                                     | -                         | 440              |
| -   | -                                      | -   | -                                     | -                         | -                |
| -   | -                                      | -   | -                                     | -                         | 95               |
| -   | -                                      | -   | -                                     | -                         | -                |
| 7   | 27                                     | 21  | 5                                     | 6                         | 255              |
| -   | -                                      | -   | -                                     | -                         | 541              |
| -   | -                                      | -   | -                                     | -                         | 80               |
| -   | -                                      | -   | -                                     | -                         | 8                |
| -   | -                                      | -   | -                                     | -                         | 85               |
| -   | 275                                    | -   | -                                     | -                         | 275              |
| <b>116</b>                                  | <b>12,802</b>                          | <b>1,215</b>                                    | <b>1,752</b>                          | <b>951</b>                | <b>81,206</b>    |
| <b>\$ 2,341</b>                             | <b>\$ 3,204</b>                        | <b>\$ 7,006</b>                                 | <b>\$ 3,000</b>                       | <b>\$ 2,001</b>           | <b>\$ 66,296</b> |

# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### STATEMENT OF CHANGES IN EQUITY

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <b>Sub-Total<br/>Brought<br/>Forward</b> | <b>Destination<br/>Marketing<br/>Reserve</b> | <b>Totals<br/>2013</b> |
|---|--|--|------------------------|
| Balance, beginning of year                                      | <b>\$ 77,490</b>                         | <b>\$ 12,729</b>                             | <b>\$ 90,219</b>       |
| Add:  |  |  |                        |
| Transfer from General Revenue Fund                              | 8,867                                    | -  | 8,867                  |
| Other   | 12,266                                   | -  | 12,266                 |
| Accommodation tax   | -  | 7,451  | 7,451                  |
| Land sales  | 39,182                                   | -  | 39,182                 |
| Municipal realty tax  | 3,274                                    | -  | 3,274                  |
| Interest earned   | 1,390                                    | 102  | 1,492                  |
| Cash payments-in-lieu of land dedication                        | 1,108                                    | -  | 1,108                  |
| Transfer from General Purpose Reserve                           | 275                                      | -  | 275                    |
| Transfer from Waterworks System Fund                            | 193                                      | -  | 193                    |
| Transfer from Transit System Fund                               | -  | -  | -                      |
| Transfer from Land Operating Reserve                            | 95                                       | -  | 95                     |
| Transfer from General Capital Fund                              | 2,515                                    | -  | 2,515                  |
| Transfer from Solid Waste Disposal Fund                         | 15                                       | -  | 15                     |
| Transfer from Sewage Disposal System Fund                       | 831                                      | -  | 831                    |
| Transfer from Winnipeg Parking - SOA                            | 1  | -  | 1                      |
| Transfer from Animal Services - SOA                             | -  | -  | -                      |
|   | <b>70,012</b>                            | <b>7,553</b>                                 | <b>77,565</b>          |
| Deduct:   |  |  |                        |
| Transfer to General Revenue Fund                                | 24,338                                   | 60   | 24,398                 |
| Grants  | 22,236                                   | 4,543  | 26,779                 |
| Transfer to General Capital Fund                                | 2,606                                    | 4,079  | 6,685                  |
| Other   | 7,471                                    | -  | 7,471                  |
| Cost of sales   | 2,207                                    | -  | 2,207                  |
| Transfer to General Revenue Enterprises                         | 20,569                                   | -  | 20,569                 |
| Transfer to Municipal Accommodations Fund                       | 440                                      | -  | 440                    |
| Transfer to Contributions in Lieu of<br>Land Dedication Reserve | 95                                       | -  | 95                     |
| Transfer to General Revenue Fund -<br>investment management fee | 255                                      | 32   | 287                    |
| Transfer to Financial Stabilization Reserve                     | 541                                      | -  | 541                    |
| Transfer to Fleet Management - SOA                              | 80                                       | -  | 80                     |
| Transfer to Golf Services - SOA                                 | 8  | -  | 8                      |
| Transfer to Transit   | 85                                       | -  | 85                     |
| Transfer to Heritage Reserve                                    | 275                                      | -  | 275                    |
|   | <b>81,206</b>                            | <b>8,714</b>                                 | <b>89,920</b>          |
| Balance, end of year  | <b>\$ 66,296</b>                         | <b>\$ 11,568</b>                             | <b>\$ 77,864</b>       |

*See accompanying notes to the financial statements*

|                  |
|------------------|
| Totals           |
| 2012             |
| <u>\$ 71,973</u> |

18,004  
1,750  
7,585  
6,922  
3,721  
1,566  
707

95  
503  
-  
8,110  
32  
110  
20  
2

49,127

17,418  
7,347  
6,982  
2,802  
3,383  
346  
416

-  
277  
26  
64  
58  
-  
-

39,119

|                         |
|-------------------------|
| <u><u>\$ 81,981</u></u> |
|-------------------------|

# THE CITY OF WINNIPEG

## SPECIAL PURPOSE RESERVES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

#### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

##### a) Basis of presentation

The Special Purpose Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Special Purpose Reserves Fund include the following:

|                                     |   |
|-------------------------------------|---|
| Workers Compensation Reserve Fund   | Snow Clearing Reserve Fund                      |
| Perpetual Maintenance Reserve Funds | Commitment Reserve Fund                         |
| - Brookside Cemetery                | Heritage Investment Reserve Fund                |
| - St. Vital Cemetery                | Housing Rehabilitation Investment Reserve Fund  |
| - Transcona Cemetery                | Economic Development Investment Reserve Fund    |
| Insurance Reserve Fund              | General Purpose Reserve Fund                    |
| Contributions in Lieu of Land       | Multi-Family Dwelling Tax Investment            |
| Dedication Reserve Fund             | Reserve Fund                                    |
| Land Operating Reserve Fund         | Insect Control Urgent Expenditures Reserve Fund |
| Wading and Outdoor Pool Extended    | Permit Reserve Fund                             |
| Season Reserve Fund                 | Destination Marketing Reserve Fund              |

##### b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

##### c) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

##### d) Investment in bonds

Bonds are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

##### e) Bond coupons

Bond coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

## **1. *Significant Accounting Policies (continued)***

### **f) Investment in government business**

The investment in River Park South Developments Inc. is reported as a government business partnership and is therefore accounted for using the modified equity method. Under this method, the government business's accounting principles are not adjusted to conform with those of the City of Winnipeg (the "City") and inter-corporate transactions are not eliminated (Note 6).

## **2. *Status of the Special Purpose Reserves***

### **Workers Compensation Reserve Fund**

Under the terms of By-law No. 9802 of the former City of Winnipeg, provision was made for the establishment of a Workers Compensation Reserve Fund. On January 1, 1972, as a result of the amalgamation of the City of Winnipeg with former area municipalities, The Workers Compensation Reserve Fund was established in accordance with Section 338 of the former City of Winnipeg Act.

The City administers its workers compensation program on a self insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. Departments are charged an array of actual costs as well as surcharges related to financing fatality pensions and upgrades of benefits. The net result is that costs and surcharges are transferred to/from the Workers Compensation Reserve Fund. The Workers Compensation Reserve Fund serves to counteract any budgetary fluctuation from year to year that would result from a work related incident of major proportions.

The Corporate Controller is the Fund Manager.

### **Perpetual Maintenance Funds (Brookside, St. Vital and Transcona Cemeteries)**

Under the terms of By-law No. 14725 of the former City of Winnipeg, passed on April 8, 1935, created a fund for the perpetual care and maintenance of Brookside Cemetery. Later on By-law No. 1996/78, also created funds for the perpetual care and maintenance of St. Vital and Transcona Cemeteries.

Section 29 of By-law No. 5720/91 amending and restating By-law 1996/78, relating to Cemeteries, sets forth the purpose and use of the Perpetual Maintenance Funds.

These funds are for the purpose of creating, building up, and maintaining a perpetual maintenance fund for the care and maintenance of Brookside, St. Vital, and Transcona Cemeteries. There shall be paid to the Sinking Fund Trustees of The City of Winnipeg, during specified years and not later than the first day of June of each of the years, a sum equal to twenty-five per centum of the proceeds of the sale of plots and graves in cemeteries sold during the preceding year. The monies shall be so paid over to the Trustees for investment and administration and shall be treated in the same manner as interest and sinking fund charges. Commencing the first day of January 1991, and upon each and every first day of January thereafter the Trustees shall pay out fifty per centum of the yearly earnings of the fund for the previous year to the City. The yearly earnings shall be applied to offset the cost of the care and maintenance of the Cemeteries.

The Sinking Fund Trustees were also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots.

On January 1, 2003, The City of Winnipeg Act was replaced with new legislation entitled The City of Winnipeg Charter. Under this new legislation the investment and administration of the funds has been transferred to the administration of the City.

The Director of Planning, Property and Development is the Funds Manager.

## **2. *Status of the Special Purpose Reserves (continued)***

### **Insurance Reserve Fund**

In 1960, the Insurance Reserve Fund was established. The reserve was to be used for the purpose of replacing or repairing City properties and/or contents that had been damaged by fire or any other cause. In 1973, the use of the Insurance Reserve Fund also included the purpose of paying for any other losses that the City might incur in any part of its self-insurance program. Such uses would include third party liability claims, or property damage claims, including motor vehicles.

The Corporate Controller is the Fund Manager.

### **Contributions in Lieu of Land Dedication Reserve Fund**

City Council, on January 10, 1973, adopted a policy that cash payments received by the City in lieu of land dedications for open space be deposited in a fund to the credit of each community. On January 17, 1979, City Council amended the policy to also permit cash payments received from the sale of surplus Parks and Recreation lands to be deposited to the credit of each community. Disbursements from this Reserve are limited to costs of acquiring or improving lands for parks, recreational facilities or open space within that community. The Director of the Planning, Property and Development is the Fund Manager.

### **Land Operating Reserve Fund**

City Council, on May 16, 1973, authorized the establishment of a Land Operating Reserve Fund to reduce the need for the issuance and sale of debentures in connection with the acquisition cost of properties for resale. This Reserve is maintained by proceeds from the sale of City owned properties and interest earned. Disbursements are limited to the acquisition cost of properties for resale, and any other expenses related to the acquisition, sale and improvement of disposable City properties.

City Council, on July 19, 1999, adopted a policy that in order to sustain the business operations supported by the Reserve, equity be allowed to accumulate within the Reserve sufficient to eliminate the inter-fund debt owing to the General Revenue Fund created in past years. Any surplus funds greater than the amount required for the purposes of the Land Operating Reserve Fund and meeting the annual budgeted transfer to the General Revenue Fund is to be transferred to the Commitment Reserve Fund.

The Director of Planning, Property and Development is the Fund Manager.

### **Wading and Outdoor Pool Extended Season Reserve Fund**

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season.

With the adoption of the 2013 tax-supported budget City Council approved the Recreation Programming Reserve be renamed the Wading and Outdoor Extended Season Reserve and that the original recreation programming subcomponent of the Recreation Programming Reserve be closed. The annual transfer from the General Revenue Fund is budgeted at \$490,000 with adjustments made during the year depending on the actual cost of the extended season.

The Director of Community Services is the Fund Manager.

## **2. *Status of the Special Purpose Reserves (continued)***

### **Snow Clearing Reserve Fund**

The purpose of the fund is to absorb unexpected snowfall costs in years where the City experienced above average snowfall levels.

On December 14, 2004, City Council approved the establishment of a new Snow Clearing Reserve Fund with the same purpose and guidelines as the former Reserve (established on March 22, 1995) with the exception that City Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the Reserve. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. The Reserve balance should never exceed \$10.9 million.

On March 26, 2008, City Council further approved that the former restrictions on charges to the Snow Clearing Reserve in any one year be rescinded, and that no minimum balance be required (previously set at \$5.0 million) before any charges can be made to the Reserve.

The Director of Public Works is the Fund Manager.

### **Commitment Reserve Fund**

On March 12, 1998, City Council approved the establishment of the Commitment Reserve Fund. The purpose of the Reserve is to allow departments to carry forward committed budget dollars to the succeeding year thereby eliminating the need to re-budget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Financial Stabilization Reserve Fund.

On July 19, 1999, City Council further approved that at year-end, on an annual basis, any surplus funds greater than the amount required for the purposes of the Land Operating Reserve Fund be transferred to the Commitment Reserve Fund, which can then only be spent on one-time or capital costs in the following year. As with other contributions to this Reserve, the funds must be spent in the year following the transfer, otherwise the unspent amount may be transferred to the Financial Stabilization Reserve Fund.

The Chief Financial Officer is the Fund Manager.

### **Heritage Investment Reserve Fund**

The Heritage Investment Reserve Fund was created by City Council on June 21, 2000. It funds all City and City-sponsored heritage programs and acts as a revolving fund so that future funding of heritage programs can be sustained and thereby reduces the need to obtain additional funding. An important source of on going funding for the Reserve will be incremental tax revenues from projects financed by the Fund.

The Director of Planning, Property and Development is the Fund Manager.

### **Housing Rehabilitation Investment Reserve Fund**

The Housing Rehabilitation Investment Reserve Fund was created by City Council on June 21, 2000. It funds City housing programs not provided for in operating budgets. It is intended that this Reserve act as a revolving fund so that incremental tax revenues resulting from housing programs in which the Reserve has invested would be returned to the Reserve to finance future projects.

The Director of Planning, Property and Development is the Fund Manager.



## **2. *Status of the Special Purpose Reserves (continued)***

### **Economic Development Investment Reserve Fund**

The Economic Development Investment Reserve Fund was created by City Council on June 21, 2000. It is intended to fund City economic development incentive and investment projects. Unlike the other investment reserves, this Reserve invests directly in particular projects rather than be a funding mechanism for programs. The incremental portion of realty and business taxes generated by projects in which the fund has invested will be returned to the Reserve until the original investment has been repaid.

The Director of Planning, Property and Development is the Fund Manager.

### **General Purpose Reserve Fund**

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve was contingent upon approval by City Council.

On May 23, 2001, City Council approved that the Pension Stabilization Reserve and Pension Surplus Reserve Funds be combined and renamed the General Purpose Reserve Fund. The City Treasurer is the Fund Manager.

### **Multiple-Family Dwelling Tax Investment Reserve Fund**

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

### **Insect Control Urgent Expenditures Reserve Fund**

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels. The Reserve is funded through an annual transfer from the operating budget and any year end unexpended insect control mill rate support budget. The Reserve balance should never exceed \$3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of \$3.0 million in the event of insufficient funds.

The Director of Public Works is the Fund Manager.

## **2. *Status of the Special Purpose Reserves (continued)***

### **Permit Reserve Fund**

On March 20, 2007, City Council approved the establishment of the Permit Reserve Fund. The purpose of the fund is to mitigate revenue shortfalls and fund temporary staffing needs during busy periods through economic boom/bust cycles. The Reserve is also meant to provide a source of funds for service and system improvements. The source of funds for the Reserve are the excess of permit revenue in the General Revenue Fund compared to budget in any given year. The balance in the Reserve is capped at \$3.0 million and any surplus funds over and above the cap are to be transferred to the General Revenue Fund.

On March 22, 2011, City Council approved the cap be revised to \$2.0 million and any surplus funds above the cap be transferred to the Planning, Property and Development department that is reported in the General Revenue Fund.

The Director of Planning, Property and Development is the Fund Manager.

### **Destination Marketing Reserve Fund**

On October 22, 2008, City Council approved the creation of the Destination Marketing Reserve Fund with an effective date of January 1, 2009. The purpose of the Reserve is to support Economic Development Winnipeg Inc., The Convention Centre Corporation and special events including other organizations, projects and events that will encourage tourists to visit Winnipeg. The source of revenue for the Reserve is the 5% accommodation tax, which was adopted by City Council on April 23, 2008.

Guidelines established for the Reserve include the following:

- A grant to Economic Development Winnipeg Inc. equal to the greater of \$2.0 million or 30% of annual accommodation tax revenue;
- A grant of \$1.5 million annually to The Winnipeg Convention Centre Corporation;
- Up to 40% of the annual accommodation tax revenue, to a maximum of the estimated annual payments required to service the amount of future debt that will be allocated to the City's portion of construction costs relating to a planned expansion at the Winnipeg Convention Centre, to be set aside within the Reserve. Dispositions from the Reserve for this purpose require approval of City Council;
- Expenses incurred in the General Revenue Fund to administer the accommodation tax will be transferred to the Reserve; and
- Commencing in 2013 the Destination Marketing Reserve Fund is paying an additional grant to the Winnipeg Convention Centre for debt servicing. This grant will be paid for 2013, 2014 and 2015.
- The remainder of the funds, net of the above, paid to Economic Development Winnipeg Inc. for the Special Event Marketing Fund. If yearly contributions to the Special Event Marketing Fund exceeds \$1.0 million, any excess above this amount will be paid to Economic Development Winnipeg Inc. in the form of an additional grant. Dispositions from the Destination Marketing Reserve fund for this purpose will require the approval of the Fund Manager.

The Chief Financial Officer is the Fund Manager.

## **3. *Due from General Revenue Fund***

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).

#### **4. *Call Loans - General Revenue Fund***

Call loans represent short-term investments with The City of Winnipeg - General Revenue Fund which are callable by the Fund upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

#### **5. *Investments***

|                                   | <u>2013</u>      | <u>2012</u>      |
|-----------------------------------|------------------|------------------|
| Marketable securities             |                  |                  |
| Provincial bonds and bond coupons | \$ 2,195         | \$ 4,305         |
| Municipal bonds                   | <u>18,223</u>    | <u>12,401</u>    |
|                                   | 20,418           | 16,706           |
| Other                             | <u>354</u>       | <u>1,172</u>     |
|                                   | <u>\$ 20,772</u> | <u>\$ 17,878</u> |

The aggregate market value of marketable securities at December 31, 2013 was \$20,517 thousand (2012 - \$18,714 thousand).

#### **6. *Investment in Government Business***

River Park South Developments Inc.

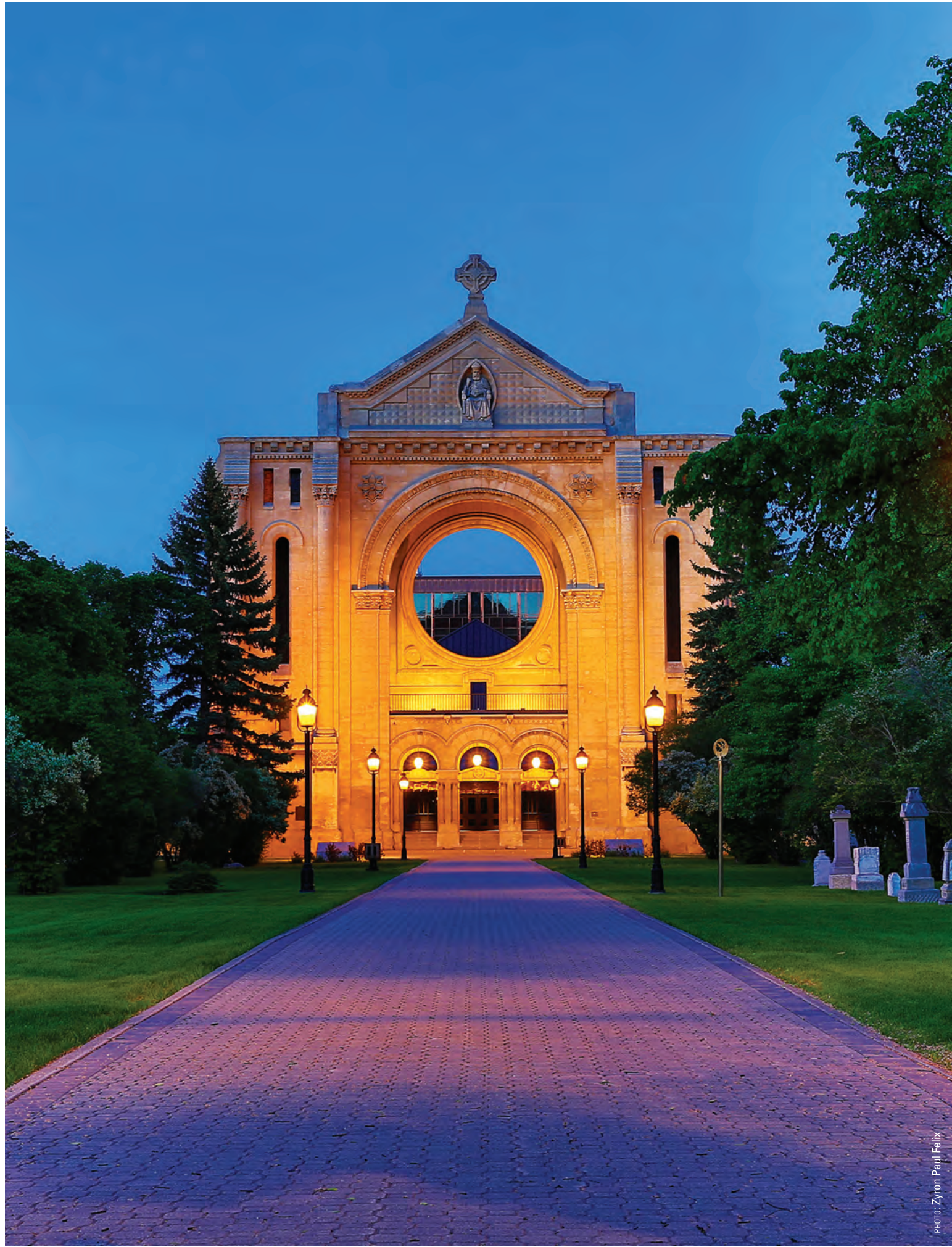
On April 21, 2011, the City and Qualico Developments (Winnipeg) Ltd. entered into an agreement to jointly develop and sell residential land owned by the partners in the River Park South community of Winnipeg.

The results of operations in 2013 of \$4,090 thousand (2012 - \$3,985 thousand) are included in the Statement of Changes in Equity as other revenue.

#### **7. *Contributed Surplus***

On April 27, 1994, City Council, retroactive to December 31, 1993, approved by way of a capital reorganization the transfer of \$17.3 million from the Land Operating Reserve Fund to the General Revenue Fund to fund the accrued liability for assessment appeal refunds and interest.





# THE CITY OF WINNIPEG TRUST FUNDS

## STATEMENT OF FINANCIAL POSITION

*As at December 31  
(unaudited)*

|  | <b>Library<br/>Trust</b> | <b>Portage<br/>and Main<br/>Concourse<br/>Trust</b> | <b>2013<br/>Totals</b> | <b>2012<br/>Totals</b> |
|--|--------------------------|---|------------------------|------------------------|
| <b>ASSETS</b>                          |                          |   |                        |                        |
| Current                                |                          |   |                        |                        |
| Due from General Revenue Fund (Note 3) | <b>\$ 280,851</b>        | <b>\$ 1,665</b>                                     | <b>\$ 282,516</b>      | <b>\$ 360,271</b>      |
| <b>EQUITY</b>                          |                          |   |                        |                        |
| Unallocated                            | <b>\$ 280,851</b>        | <b>\$ 1,665</b>                                     | <b>\$ 282,516</b>      | <b>\$ 360,271</b>      |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG TRUST FUNDS

## STATEMENT OF CHANGES IN TRUST ACCOUNTS

*For the years ended December 31  
(unaudited)*

|                 | <b>Library<br/>Trust</b> | <b>Portage<br/>and Main<br/>Concourse<br/>Trust</b> | <b>2013<br/>Totals</b>   | <b>2012<br/>Totals</b>   |
|-----------------|--------------------------|---|--------------------------|--------------------------|
| Opening balance | <u>\$ 358,622</u>        | <u>\$ 1,649</u>                                     | <u>\$ 360,271</u>        | <u>\$ 410,759</u>        |
| Add:            |                          |   |                          |                          |
| Contributions   | 226,304                  | -   | 226,304                  | 305,605                  |
| Interest earned | <u>2,851</u>             | <u>16</u>   | <u>2,867</u>             | <u>3,768</u>             |
|                 | <u>229,155</u>           | <u>16</u>   | <u>229,171</u>           | <u>309,373</u>           |
| Deduct:         |                          |   |                          |                          |
| Disbursements   | <u>306,926</u>           | <u>-</u>  | <u>306,926</u>           | <u>359,861</u>           |
| Closing balance | <u><u>\$ 280,851</u></u> | <u><u>\$ 1,665</u></u>                              | <u><u>\$ 282,516</u></u> | <u><u>\$ 360,271</u></u> |

*See accompanying notes to the financial statements*

# **THE CITY OF WINNIPEG TRUST FUNDS**

## **NOTES TO THE FINANCIAL STATEMENTS**

*December 31, 2013*  
*(unaudited)*

### **1. Significant Accounting Policies**

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### **a) Basis of presentation**

The City of Winnipeg follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

#### **b) Basis of accounting**

These financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods and/or the creation of a legal obligation to pay.

### **2. Status of The City of Winnipeg Trust Funds**

#### **Library Trust**

This trust is maintained by donations from private citizens and organizations in support of various library services. The Manager of Library Services is the Trust Manager.

#### **Portage and Main Concourse Trust**

This trust is maintained by a square foot levy applied to Concourse leased areas for the purpose of promoting or improving the concourse. The Director of Planning, Property and Development is the Trust Manager.

### **3. Due from General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).

# THE CITY OF WINNIPEG

## EQUIPMENT AND MATERIAL SERVICES

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|  | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>                          |                     |                     |
| Current                                |                     |                     |
| Due from General Revenue Fund (Note 2) | \$ 2,119            | \$ 2,099            |
| Investment (Note 3)                    | <u>1,148</u>        | <u>1,148</u>        |
|  | <u>\$ 3,267</u>     | <u>\$ 3,247</u>     |
| <br><b>RETAINED EARNINGS</b>           | <br><u>\$ 3,267</u> | <br><u>\$ 3,247</u> |

*See accompanying notes to the financial statements*



# THE CITY OF WINNIPEG

## EQUIPMENT AND MATERIAL SERVICES

### STATEMENT OF NET EARNINGS AND RETAINED EARNINGS

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <u>2013</u>            | <u>2012</u>            |
|---|------------------------|------------------------|
| <b>REVENUES</b>                             |                        |                        |
| Interest                                    | <u>\$ 20</u>           | <u>\$ 20</u>           |
| Net earnings for the year                   | 20                     | 20                     |
| <b>RETAINED EARNINGS, BEGINNING OF YEAR</b> | <u>3,247</u>           | <u>3,227</u>           |
| <b>RETAINED EARNINGS, END OF YEAR</b>       | <u><u>\$ 3,267</u></u> | <u><u>\$ 3,247</u></u> |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG

## EQUIPMENT AND MATERIAL SERVICES

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

#### 1. *Summary of Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

##### a) **Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

#### 2. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).

#### 3. *Investment*

|   | <u>2013</u>     | <u>2012</u>     |
|---|-----------------|-----------------|
| Fleet Management - Special Operating Agency | <u>\$ 1,148</u> | <u>\$ 1,148</u> |

On January 1, 2008, Fleet Management - Special Operating Agency converted their long-term debt of \$1,148 thousand to contributed surplus.







# THE CITY OF WINNIPEG

## MUNICIPAL ACCOMMODATIONS FUND

Effective January 1, 2011, the Civic Accommodations and Building Services Funds were amalgamated into a new Fund known as the Municipal Accommodations Fund.

In June 2006, the City Auditor issued a report entitled "Public Works Asset Management Performance Audit, Part 2 - Facilities Maintenance". Included among the report's recommendations was "...that responsibility for facilities maintenance for all Civic facilities be assigned to one department, division or agency."

On June 20, 2007, City Council concurred in the recommendations of Executive Policy Committee and adopted an amendment to the City Organization By-law No. 7100/97 "such that the facilities maintenance and security function be moved from the Public Works Department to the Planning, Property and Development Department, and further that "facility maintenance" be transferred from the jurisdiction of the Standing Policy Committee on Infrastructure Renewal and Public Works to the Standing Policy Committee on Property and Development, effective as of September 17, 2007." As a result, the former Civic Accommodations Division of the Planning, Property and Development Department and the former Building Services Division of the Public Works Department were combined to form the Municipal Accommodations Division in the Planning, Property and Development Department.

The Municipal Accommodations Division is a self-financing utility enterprise and uses an "Actual/Market" model to distribute accommodation costs to all departments. This full cost recovery model is often referred to as the "Charge-Back System" and all services the Division provides are recovered from client departments. These services include leasing of civic accommodations, the programming, designing and project management of construction and renovation projects, design and consulting services, and the demolition of buildings. They also include facility maintenance, security, environmental monitoring and cleaning services.

The buildings receiving services include Community Services Department's recreation buildings, which are pools, arenas, recreation centres, community centres; Public Works Department's parks and open spaces buildings, accommodations facilities, cemeteries and Winnipeg Parking Authority and Golf Services Special Operating Agencies' facilities.

### FIVE-YEAR REVIEW

*As at December 31*  
(unaudited)

|                           | <u>2013</u>      | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---------------------------|------------------|-------------|-------------|-------------|-------------|
| Number of facilities      | <b>129</b>       | 128         | 129         | 131         | 125         |
| Total area square footage | <b>2,440,067</b> | 2,456,441   | 2,455,171   | 2,471,474   | 2,409,827   |

# THE CITY OF WINNIPEG

## MUNICIPAL ACCOMMODATIONS FUND

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | <u>2013</u>     | <u>2012</u>      |
|---|-----------------|------------------|
| <b>ASSETS</b>                                     |                 |                  |
| Current   |                 |                  |
| Cash  | \$ 30           | \$ -             |
| Due from General Revenue Fund (Note 3)            | 1,584           | 10,565           |
| Accounts receivable (Note 4)                      | 137             | 47               |
| Inventories                                       | 22              | -                |
| Prepaid expenses                                  | 711             | 697              |
|   | <u>\$ 2,484</u> | <u>\$ 11,309</u> |
| <br><b>LIABILITIES</b>                            |                 |                  |
| Current   |                 |                  |
| Accounts payable and accrued liabilities (Note 5) | \$ 2,457        | \$ 11,239        |
| Deferred revenue                                  | 27              | 70               |
|   | <u>\$ 2,484</u> | <u>\$ 11,309</u> |
| <br>Commitments (Note 6)                          |                 |                  |

*See accompanying notes to the financial statements*

# **THE CITY OF WINNIPEG** **MUNICIPAL ACCOMMODATIONS FUND**

## **STATEMENT OF OPERATIONS**

*For the years ended December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|                                  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|----------------------------------|------------------------|------------------------|------------------------|
| <b>REVENUES</b>                  |                        |                        |                        |
| Contributions from City of       |                        |                        |                        |
| Winnipeg departments (Note 8b)   | \$ 64,726              | \$ 64,672              | \$ 61,542              |
| Investment and other             | 294                    | 377                    | 349                    |
| Other rental                     | 42                     | 43                     | 42                     |
| Total Revenues                   | <b>65,062</b>          | <b>65,092</b>          | 61,933                 |
| <b>EXPENSES</b>                  |                        |                        |                        |
| Municipal Accommodations         | 47,031                 | 47,350                 | 45,636                 |
| Transfer to General Capital Fund | 14,998                 | 16,084                 | 13,018                 |
| Transfer to General Revenue Fund | 3,033                  | 1,658                  | 3,279                  |
| Total Expenses (Note 9)          | <b>65,062</b>          | <b>65,092</b>          | 61,933                 |
| Surplus for the year             | <b>\$ -</b>            | <b>\$ -</b>            | <b>\$ -</b>            |

*See accompanying notes to the financial statements*

# **THE CITY OF WINNIPEG MUNICIPAL ACCOMMODATIONS FUND**

## **NOTES TO THE FINANCIAL STATEMENTS**

*December 31, 2013*

*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

*(unaudited)*

### **1. Significant Accounting Policies**

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### **a) Basis of presentation**

The Municipal Accommodations Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

#### **b) Basis of accounting**

The financial statements are generally prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The accrual basis of accounting is modified in the following circumstances:

- expenses for accrued vacation costs, compensated absences, retirement allowance, workers compensation claims, and insurance claims are recorded when payment is incurred.

#### **c) Inventory**

Inventory is recorded at the lower of cost or net replacement cost.

#### **d) Deferred revenue**

Certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

## **1. Significant Accounting Policies (continued)**

### **e) Debt and finance charges**

Municipal Accommodations Fund's tangible capital assets, including those financed by debt are reported in the General Capital Fund along with any outstanding debt obligation. Interest and payments on debt are funded by the Municipal Accommodations Fund and the interest expense is reported in the General Capital Fund.

### **f) Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant areas requiring the use of estimates include allowance for doubtful accounts receivable, obsolete inventory and employee benefits. Actual results could differ from those estimates.

## **2. Status of the Municipal Accommodations Fund**

Effective January 1, 2011, the Civic Accommodations and Building Services Funds were amalgamated into a new Fund known as the Municipal Accommodations Fund.

The Municipal Accommodations Division of the Planning, Property and Development department is responsible for providing accommodations for all civic purposes. In providing this service the department undertakes the development of accommodation space, maintains building assets, renovations and disposes of buildings through demolition or sale.

The Division is also responsible for providing asset management and facility maintenance services for civic purposes. An accommodation charge back system is used as a step towards the full costing of services to other civic departments.

## **3. Due from General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).

## **4. Accounts receivable**

|                                 | <b>2013</b>   | <b>2012</b>  |
|---------------------------------|---------------|--------------|
| Maintenance billings and other  | \$ <b>370</b> | \$ 275       |
| Allowance for doubtful accounts | <b>(233)</b>  | (228)        |
|                                 | <b>\$ 137</b> | <b>\$ 47</b> |



## 5. *Accounts Payable and Accrued Liabilities*

|  | <u>2013</u>     | <u>2012</u>      |
|--|-----------------|------------------|
| Accounts payable and accrued liabilities | \$ 351          | \$ 7,547         |
| Performance deposits                     | 1,187           | 2,874            |
| Accrued interest on long-term debt       | 603             | 601              |
| Accrued debenture principle              | 49              | -                |
| Wages and employee benefits              | 267             | 217              |
|  | <u>\$ 2,457</u> | <u>\$ 11,239</u> |

## 6. *Commitments*

### **Lease commitments**

The Municipal Accommodations Fund has entered into a number of rental lease agreements mainly for the lease of accommodations for civic offices and the Division's office equipment. Future minimum lease payments are as follows:

|            |                  |
|------------|------------------|
| 2014       | \$ 5,094         |
| 2015       | 4,672            |
| 2016       | 4,532            |
| 2017       | 4,344            |
| 2018       | 4,058            |
| Subsequent | 41,794           |
|            | <u>\$ 64,494</u> |

## 7. *Employee Benefits*

- a) Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$1.9 million (2012 - \$1.8 million).
- b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$606 thousand (2012 - \$619 thousand).
- c) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2013 is estimated at \$1.3 million (2012 - \$1.3 million).
- d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2013 is estimated at \$654 thousand (2012 - \$619 thousand).
- e) Municipal Accommodations employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year \$1.3 million (2012 - \$1.2 million) of pension costs were allocated to Municipal Accommodations. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2012 and has disclosed an actuarial surplus.

## 8. Contributions and Appropriations from Related Parties

- a) Included in Municipal Accommodations Fund expenses are:
- Rental payments in the amount of \$698 thousand (2012 - \$730 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles; Non vehicle manufacturing services were also purchased from the Agency in the amount of \$178 thousand (2012 - \$190 thousand);
  - Recovery from the Insurance Reserve of \$186 thousand (2012 - \$110 thousand);
  - Transfer to the Computer Replacement Reserve of \$11 thousand (2012 - \$11 thousand);
  - General government charges in the amount of \$606 thousand (2012 - \$557 thousand) to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to Municipal Accommodations; and
  - Parking Space Rental to Winnipeg Parking Authority in the amount of \$1 thousand (2012 - \$7 thousand).
- b) Funds that transferred revenue to the Municipal Accommodations Fund were the following:

|   | <b>2013</b>      | 2012             |
|---|------------------|------------------|
| General Revenue Fund                                  | \$ 60,240        | \$ 57,424        |
| Sewage Disposal System                                | 1,232            | 1,109            |
| Waterworks System                                     | 1,055            | 1,189            |
| Municipal Accommodations Fund                         | 583              | 602              |
| Fleet Management - Special Operating Agency           | 488              | 196              |
| Transit System  | 269              | 269              |
| Wading & Outdoor Pool Extended Season Reserve         | 254              | 278              |
| Animal Services - Special Operating Agency            | 212              | 211              |
| Solid Waste Disposal Fund                             | 203              | 120              |
| Winnipeg Parking Authority - Special Operating Agency | 137              | 127              |
| Golf Services - Special Operating Agency              | -                | 17               |
|   | <b>\$ 64,673</b> | <b>\$ 61,542</b> |

The majority of transfers represent charges for facility costs which include market rent, operating costs, maintenance costs and portfolio overheads.

## 9. Expenses by Object

|                                  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | 2012<br>Actual   |
|----------------------------------|------------------------|------------------------|------------------|
| Services, materials and supplies | \$ 30,659              | \$ 31,013              | \$ 28,577        |
| Salaries and employee benefits   | 17,868                 | 17,453                 | 17,087           |
| Transfer to General Capital Fund | 14,998                 | 16,084                 | 13,018           |
| Transfer to General Revenue Fund | 3,033                  | 1,658                  | 3,279            |
| Other grants and transfers       | 1,081                  | 1,142                  | 1,597            |
| Debt and finance charges         | 9                      | 233                    | 160              |
| Recoveries                       | (2,586)                | (2,491)                | (1,785)          |
|                                  | <b>\$ 65,062</b>       | <b>\$ 65,092</b>       | <b>\$ 61,933</b> |

## 10. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Civic Accommodations Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.





PHOTO: Zyron Paul Felix



2013 UTILITIES



PHOTO: Gareth Simons

DETAILED FINANCIAL STATEMENTS

## **THE CITY OF WINNIPEG TRANSIT SYSTEM**

The City of Winnipeg Transit Department provides reliable, comfortable and accessible public transit service to the citizens of Winnipeg through the provision of three services - regular transit, Handi-transit, and chartered bus and special events transit service. The department's mission is to provide the best public transit service possible and to be the mode of choice for travel to the City's major activity centres.

Passenger revenue increased by \$3.8 million from 2012, a 5.2 % increase. Revenue passengers for 2013 numbered over 49.5 million, a 1.3 % increase from 2012. This is the eleventh consecutive annual increase.

Public transit systems across Canada are experiencing similar positive gains. There is a renewed interest in using public transit as a preferred urban transportation mode of choice. This is supported by both senior levels of government who are making public transit and the environment priorities.

Through the Province's Building Manitoba Fund, an operating transfer of \$33.5 million was provided to Winnipeg's transit system. This is \$0.4 million more than the previous year. The Province of Manitoba's capital grant commitment was \$10.0 million, decreasing by \$0.4 million from the previous year.

For purposes of funding capital investments, funds transferred to the Transit System included \$12.9 million from the Federal Gas Tax Reserve, and \$7.1 million from the Transit Bus Replacement Reserve.

The appropriation from the General Revenue Fund decreased by \$0.4 million from the previous year, a component of the net increase in revenues of \$5.8 million. The major contributor to the net increase in revenues is fare revenue followed by charter services. Operating expenses increased by \$6.5 million from the previous year. The majority of this increase was due to the impact of contractual agreements on salaries and wages, and service additions including incremental costs related to the full year of operations of the Southwest Transitway.

Handi-transit's demand decreased from 2012 by 3.0%. Costs were higher than the previous year by \$0.1 million mainly due to increased contractor rates.

Several achievements were realized during the year, including:

- New digital customer information kiosks were installed at the Millennium Library and St. Vital Centre.
- The functional design study for Stage 2 of the Southwest Rapid Transitway was initiated in 2013.
- During 2013, forty-eight air-conditioned buses were delivered, including nineteen pre-owned articulated buses, continuing with the 2007 decision to have all future bus purchases include air conditioning.
- The articulated buses were introduced into the fleet and made ready for service and bus stop platforms were lengthened at over three hundred stops to accommodate this service.
- Thirty new transit shelters were placed during 2013, and thirty bus stop platforms were upgraded.
- Transit took occupancy of the new Brandon Avenue Transit Garage in 2013, which is adjacent to the existing Fort Rouge Garage facility and will house approximately 150 buses.
- Work continued on the development of a new automated fare collection system. The new system has included the replacement of outdated fare box equipment during 2013, with the introduction of new fare payment options expected to occur in 2014.

# THE CITY OF WINNIPEG TRANSIT SYSTEM

## FIVE-YEAR REVIEW

December 31

("\$" amounts in thousands of dollars, except for "Financial Statistics and Selected Ratios" section)  
(unaudited)

|  | 2013        | 2012        | 2011        | 2010        | 2009        |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Financial Position</b>                        |             |             |             |             |             |
| Tangible capital assets                          | \$ 312,213  | \$ 291,368  | \$ 270,709  | \$ 216,871  | \$ 161,378  |
| Total assets                                     | \$ 328,034  | \$ 308,566  | \$ 303,610  | \$ 259,965  | \$ 174,444  |
| Debt   | \$ 111,184  | \$ 112,260  | \$ 115,056  | \$ 87,737   | \$ 28,618   |
| Total liabilities                                | \$ 117,305  | \$ 117,460  | \$ 130,611  | \$ 97,153   | \$ 36,333   |
| <b>Operations</b>                                |             |             |             |             |             |
| Passenger revenue                                | \$ 76,482   | \$ 72,672   | \$ 69,946   | \$ 65,592   | \$ 63,906   |
| - in relation to total revenue                   | 45.93%      | 45.22%      | 46.31%      | 45.62%      | 47.38%      |
| Appropriation from General Revenue Fund          | \$ 45,888   | \$ 46,279   | \$ 44,172   | \$ 43,200   | \$ 42,069   |
| - in relation to total revenue                   | 27.56%      | 28.79%      | 29.24%      | 30.04%      | 31.19%      |
| Provincial operating transfers                   | \$ 33,534   | \$ 33,164   | \$ 30,819   | \$ 27,877   | \$ 24,276   |
| Operations expenses                              | \$ 68,683   | \$ 65,268   | \$ 60,920   | \$ 60,730   | \$ 56,580   |
| Plant and equipment expenses                     | \$ 48,372   | \$ 44,453   | \$ 43,425   | \$ 38,429   | \$ 36,484   |
| Total expenses                                   | \$ 147,434  | \$ 140,895  | \$ 133,290  | \$ 126,707  | \$ 117,972  |
| <b>Cash Flows</b>                                |             |             |             |             |             |
| Operating activities                             | \$ 39,171   | \$ 27,348   | \$ 32,172   | \$ 38,039   | \$ 74,605   |
| Debt issued, net                                 | \$ 1,459    | \$ (165)    | \$ 29,553   | \$ 60,324   | \$ 3,302    |
| Payments to The Sinking Fund Trustees, net       | \$ (1,764)  | \$ (1,764)  | \$ (1,486)  | \$ (559)    | \$ (650)    |
| Capital expenses                                 | \$ (40,180) | \$ (38,521) | \$ (69,108) | \$ (68,835) | \$ (65,066) |
| <b>Financial Statistics and Selected Ratios</b>  |             |             |             |             |             |
| Regular cash fare, end of year                   | \$ 2.50     | \$ 2.45     | \$ 2.40     | \$ 2.35     | \$ 2.30     |
| Handi-transit - Annual ridership (in thousands)  | 467.2       | 481.2       | 508.6       | 511.1       | 517.6       |
| Total cost per passenger                         | \$ 22.09    | \$ 21.11    | \$ 19.29    | \$ 17.95    | \$ 17.39    |
| Revenue to cost ratio                            | 10%         | 10%         | 12%         | 12%         | 12%         |
| Regular transit - Annual ridership (in millions) | 49.6        | 48.9        | 47.4        | 45.2        | 43.9        |
| Bus hours operated (in thousands)                | 1,518       | 1,477       | 1,424       | 1,412       | 1,396       |
| Direct operating cost per passenger              | \$ 2.62     | \$ 2.52     | \$ 2.47     | \$ 2.47     | \$ 2.42     |
| Direct operating cost per vehicle hour           | \$ 85.67    | \$ 83.37    | \$ 82.14    | \$ 78.98    | \$ 75.51    |
| Revenue to cost ratio                            | 62%         | 61%         | 62%         | 62%         | 63%         |
| Municipal operating cost per capita              | \$ 48.84    | \$ 48.64    | \$ 52.62    | \$ 51.64    | \$ 54.39    |

# THE CITY OF WINNIPEG TRANSIT SYSTEM

## STATEMENT OF FINANCIAL POSITION

*As at December 31  
(in thousands of dollars)  
(unaudited)*

|  | <u>2013</u>              | <u>2012</u>              |
|--|--------------------------|--------------------------|
| <b>FINANCIAL ASSETS</b>                  |                          |                          |
| Cash                                     | \$ 302                   | \$ 93                    |
| Accounts receivable (Note 3)             | 3,466                    | 2,839                    |
| Due from General Revenue Fund (Note 4)   | <u>6,823</u>             | <u>9,061</u>             |
|  | <u>10,591</u>            | <u>11,993</u>            |
| <b>LIABILITIES</b>                       |                          |                          |
| Accounts payable and accrued liabilities | 6,121                    | 5,200                    |
| Debt (Note 5)                            | <u>111,184</u>           | <u>112,260</u>           |
|  | <u>117,305</u>           | <u>117,460</u>           |
| <b>NET FINANCIAL LIABILITIES</b>         | <u>(106,714)</u>         | <u>(105,467)</u>         |
| <b>NON-FINANCIAL ASSETS</b>              |                          |                          |
| Tangible capital assets (Note 6)         | 312,213                  | 291,368                  |
| Inventory (Note 7)                       | 4,437                    | 4,366                    |
| Prepaid expenses                         | <u>793</u>               | <u>839</u>               |
|  | <u>317,443</u>           | <u>296,573</u>           |
| <b>ACCUMULATED SURPLUS (Note 8)</b>      | <u><u>\$ 210,729</u></u> | <u><u>\$ 191,106</u></u> |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG TRANSIT SYSTEM

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|---|------------------------|------------------------|------------------------|
| <b>REVENUES</b>   |                        |                        |                        |
| System generated (Note 9)                               | \$ 79,745              | \$ 80,882              | \$ 75,228              |
| Appropriation from General Revenue Fund                 | 45,849                 | 45,888                 | 46,279                 |
| Provincial Government transfers (Note 10)               | 38,596                 | 35,141                 | 34,698                 |
| Appropriation from Rapid Transit Infrastructure Reserve | 3,603                  | 3,603                  | 3,270                  |
| Interest and other                                      | 1,021                  | 995                    | 1,244                  |
| Total revenues from operations                          | <b>168,814</b>         | <b>166,509</b>         | 160,719                |
| <b>EXPENSES</b>   |                        |                        |                        |
| Operations (Note 11)                                    | 71,269                 | 68,683                 | 65,268                 |
| Plant and equipment (Note 12)                           | 50,325                 | 48,372                 | 44,453                 |
| Other departmental (Note 13)                            | 13,032                 | 12,520                 | 12,993                 |
| Handi-transit   | 10,128                 | 9,927                  | 9,788                  |
| Finance and administration                              | 3,309                  | 2,710                  | 2,911                  |
| Planning, schedules and marketing                       | 2,137                  | 1,943                  | 2,373                  |
| Information systems                                     | 1,376                  | 1,410                  | 1,314                  |
| Customer services                                       | 1,267                  | 1,208                  | 1,243                  |
| Human resources   | 696                    | 661                    | 552                    |
| Total expenses from operations (Note 14)                | <b>153,539</b>         | <b>147,434</b>         | 140,895                |
| Surplus for the year from operations                    | <b>15,275</b>          | <b>19,075</b>          | 19,824                 |
| Net surplus from capital (Note 15)                      | <b>(15,275)</b>        | <b>548</b>             | (1,717)                |
| <b>NET SURPLUS FOR THE YEAR</b>                         | <b>-</b>               | <b>19,623</b>          | 18,107                 |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>           | <b>-</b>               | <b>191,106</b>         | 172,999                |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                 | <b>\$ -</b>            | <b>\$ 210,729</b>      | \$ 191,106             |

*See accompanying notes and schedule to the financial statements*



# THE CITY OF WINNIPEG TRANSIT SYSTEM

## STATEMENT OF CASH FLOWS

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | <u>2013</u>     | <u>2012</u>     |
|--|-----------------|-----------------|
| <b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>                                      |                 |                 |
| <b><i>OPERATING</i></b>  |                 |                 |
| Net surplus for the year   | \$ 19,623       | \$ 18,107       |
| Non-cash items related to operations   |                 |                 |
| Amortization   | 19,325          | 17,842          |
| Gain on disposal of tangible capital assets  | (46)            | (47)            |
|  | <u>38,902</u>   | <u>35,902</u>   |
| Working capital from operations  | 269             | (8,554)         |
| Net change in other working capital  | <u>39,171</u>   | <u>27,348</u>   |
| <b><i>FINANCING</i></b>  |                 |                 |
| Non-cash items related to financing  |                 |                 |
| Interest on funds on deposit with The Sinking Fund Trustees<br>of The City of Winnipeg ("The Sinking Fund Trustees") | (771)           | (867)           |
| Debt issued  | 3,972           | 2,084           |
| Payments on other debt   | (2,513)         | (2,249)         |
| Payments to The Sinking Fund Trustees for outstanding debt   | (1,764)         | (1,764)         |
| Due from General Revenue Fund  | 2,238           | 13,960          |
|  | <u>1,162</u>    | <u>11,164</u>   |
| <b><i>INVESTING</i></b>  |                 |                 |
| Acquisition and construction of tangible capital assets  | (40,180)        | (38,521)        |
| Proceeds on disposal of tangible capital assets  | 56              | 67              |
|  | <u>(40,124)</u> | <u>(38,454)</u> |
| Increase in cash   | 209             | 58              |
| Cash, beginning of year  | 93              | 35              |
| Cash, end of year  | <u>\$ 302</u>   | <u>\$ 93</u>    |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG TRANSIT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

### 1. *Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### **Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, and insurance claims which are accounted for on a cash basis.

#### **a) Inventory**

Inventory is recorded at the lower of cost or net replacement cost.

#### **b) Tangible capital assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

|                            |                |
|----------------------------|----------------|
| Buildings                  | 10 to 50 years |
| Vehicles                   | 5 to 18 years  |
| Land improvements          | 10 to 30 years |
| Roads, tunnels and bridges | 30 to 50 years |
| Other equipment            | 3 to 10 years  |

Capital work in progress is not amortized until the asset is available for productive use.

#### **c) Government transfers**

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

## **1. Significant Accounting Policies (continued)**

### **d) Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of tangible capital assets, allowance for doubtful accounts receivable, obsolete inventory and employee benefits. Actual results could differ from those estimates.

## **2. Status of the Transit System**

The City of Winnipeg, under the provisions of The City of Winnipeg Charter, has been provided the authority to operate a public transit system. The history of public transportation in the City began with the formation of the Winnipeg Street Railway Company in 1882 using horse drawn cars and sleighs and evolved to the modern diesel buses of today. The Transit System's mission statement is to provide the best public transportation service possible and to be the mode of choice for travel to the City's major activity centres.

Funding of operations is through user fees, appropriations from The City of Winnipeg's General Revenue Fund, and Province of Manitoba urban transit transfers.

## **3. Accounts Receivable**

|                                       | <u>2013</u>            | <u>2012</u>            |
|---------------------------------------|------------------------|------------------------|
| Advertising rights, charter and other | \$ 2,900               | \$ 2,105               |
| Province of Manitoba                  | <u>566</u>             | <u>734</u>             |
|                                       | <u><u>\$ 3,466</u></u> | <u><u>\$ 2,839</u></u> |

## **4. Due from General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amounts reported as cash represent bank deposits not yet charged to this account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012- 0.9%).

## 5. Debt

### Sinking fund debentures outstanding

| Term  | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt  |          |
|---|---------------|------------------|--------|------------|-----------------|----------|
|   |               |                  |        |            | 2013            | 2012     |
| 1993-2013   | Feb. 11       | 9.375            | VN     | 6090/93    | \$ -            | \$ 5,000 |
| 1994-2014   | Jan. 20       | 8.000            | VQ     | 6300/94    | 6,500           | 6,500    |
| 1995-2015   | May 12        | 9.125            | VR     | 6620/95    | 7,000           | 7,000    |
| 2010-2041   | June 3        | 5.150            | WB     | 183/2008   | 60,000          | 60,000   |
| 2011-2051   | Nov. 15       | 4.300            | WC     | 183/2008   | 29,750          | 29,750   |
|   |               |                  |        |            | <b>103,250</b>  | 108,250  |
| Funds on deposit with the Sinking Funds (Note 5b) |               |                  |        |            | <b>(16,064)</b> | (18,529) |
| Net sinking fund debentures outstanding           |               |                  |        |            | <b>87,186</b>   | 89,721   |

### Other debt outstanding

|  |                   |                   |
|--|-------------------|-------------------|
| Serial debentures issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.15% (2012 - 4.53%)         | 686               | 1,459             |
| General Capital Fund debt issued by the City with varying maturities up to 2033 and a weighted average interest rate of 6.08% (2012 - 6.21%) | 23,312            | 21,080            |
|  | <b>\$ 111,184</b> | <b>\$ 112,260</b> |

Principal retirement on debt over the next five years are as follows:

|                           | 2014            | 2015            | 2016            | 2017            | 2018            | Thereafter        |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Sinking fund debentures   | \$ 6,500        | \$ 7,000        | \$ -            | \$ -            | \$ -            | \$ 89,750         |
| Serial debentures         | 311             | 75              | 75              | 75              | 75              | 75                |
| General Capital Fund debt | 1,729           | 1,693           | 1,777           | 1,579           | 1,638           | 14,896            |
|                           | <b>\$ 8,540</b> | <b>\$ 8,768</b> | <b>\$ 1,852</b> | <b>\$ 1,654</b> | <b>\$ 1,713</b> | <b>\$ 104,721</b> |

- All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and the various utilities, including the Transit System, in the amounts shown in the issuing by-law.
- The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed in a separate fund by the City. The Winnipeg Transit System is currently paying between one to three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

## 5. *Debt (continued)*

- c) Included in interest and finance charges expense is \$1.3 million (2012 - \$1.3 million) paid to the General Capital Fund.
- d) Cash paid for interest during the year was \$5.8 million (2012 - \$6.1 million).

## 6. *Tangible Capital Assets*

|                            | Net Book Value    |                   |
|----------------------------|-------------------|-------------------|
|                            | 2013              | 2012              |
| Vehicles                   | \$ 116,419        | \$ 113,716        |
| Buildings                  | 6,173             | 6,240             |
| Land improvements          | 12,874            | 14,313            |
| Land                       | 14,066            | 13,812            |
| Roads, bridges and tunnels | 118,415           | 122,496           |
| Other                      | 21,007            | 11,388            |
| Assets under construction  | 23,259            | 9,403             |
|                            | <u>\$ 312,213</u> | <u>\$ 291,368</u> |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

## 7. *Inventory*

|                           | 2013            | 2012            |
|---------------------------|-----------------|-----------------|
| Stores                    | \$ 4,394        | \$ 4,233        |
| Tickets, passes and other | 43              | 133             |
|                           | <u>\$ 4,437</u> | <u>\$ 4,366</u> |

## 8. *Accumulated Surplus*

|                                     | 2013              | 2012              |
|-------------------------------------|-------------------|-------------------|
| Appropriated                        | \$ 6,972          | \$ 6,263          |
| Unappropriated                      | 4,763             | 5,735             |
| Total accumulated surplus           | 11,735            | 11,998            |
| Invested in tangible capital assets | 198,994           | 179,108           |
|                                     | <u>\$ 210,729</u> | <u>\$ 191,106</u> |

## 9. *System Generated*

|                    | 2013<br>Budget   | 2013<br>Actual   | 2012<br>Actual   |
|--------------------|------------------|------------------|------------------|
| Passenger          | \$ 77,346        | \$ 76,482        | \$ 72,672        |
| Advertising rights | 1,520            | 2,247            | 1,638            |
| Charter and other  | 879              | 2,153            | 918              |
|                    | <u>\$ 79,745</u> | <u>\$ 80,882</u> | <u>\$ 75,228</u> |

## 10. *Provincial Government Transfers*

The Provincial Government provided transfers of \$33.5 million (2012 - \$33.2 million) towards the operation of the Transit System, \$1.6 million (2012 - \$1.5 million) as a Local Government Support Transfer and \$10.0 million (2012 - \$10.4 million) as a Capital Transfer.

### 11. Operations

|                           | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | 2012<br>Actual   |
|---------------------------|------------------------|------------------------|------------------|
| Bus operators             | \$ 65,569              | \$ 62,647              | \$ 59,890        |
| Inspectors                | 2,656                  | 2,670                  | 2,337            |
| Operations administration | 1,868                  | 1,922                  | 1,821            |
| Instruction               | 1,176                  | 1,444                  | 1,220            |
|                           | <b>\$ 71,269</b>       | <b>\$ 68,683</b>       | <b>\$ 65,268</b> |

### 12. Plant and Equipment

|                                  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | 2012<br>Actual   |
|----------------------------------|------------------------|------------------------|------------------|
| Bus servicing                    | \$ 22,115              | \$ 21,419              | \$ 19,763        |
| Vehicle maintenance and overhaul | 18,750                 | 18,035                 | 16,365           |
| Facilities maintenance           | 6,216                  | 5,614                  | 5,167            |
| Maintenance administration       | 3,244                  | 3,304                  | 3,158            |
|                                  | <b>\$ 50,325</b>       | <b>\$ 48,372</b>       | <b>\$ 44,453</b> |

### 13. Other Departmental

|                                      | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | 2012<br>Actual   |
|--------------------------------------|------------------------|------------------------|------------------|
| Interest and finance charges         | \$ 7,277               | \$ 6,892               | \$ 7,370         |
| Taxes                                | 2,269                  | 2,231                  | 2,149            |
| Insurance and claims                 | 1,379                  | 1,363                  | 1,566            |
| General government charges and other | 1,269                  | 1,310                  | 1,252            |
| Employee benefits                    | 838                    | 724                    | 656              |
|                                      | <b>\$ 13,032</b>       | <b>\$ 12,520</b>       | <b>\$ 12,993</b> |

#### a) Employee benefits

Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2013 is estimated at \$5.2 million (2012 - \$5.0 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$6.9 million (2012 - \$6.9 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$2.0 million (2012 - \$1.8 million).

The City of Winnipeg operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, The City of Winnipeg pays actual costs incurred plus an administration fee. The City of Winnipeg recognizes a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is estimated to be \$3.6 million (2012 - \$2.8 million).

### 13. Other Departmental (continued)

Transit System's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$6.8 million (2012 - \$6.2 million) of pension costs were allocated to the department. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2012 and has an actuarial surplus.

#### b) General government charges

Included in general government charges and other is \$781 thousand (2012 - \$777 thousand) in general government charges to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Transit System.

#### c) Civic accommodation charges

Included in expenses is \$269 thousand (2012 - \$269 thousand) that has been charged by the Municipal Accommodations Fund for the rental of office space.

#### d) Property and business taxes

Realty and business taxes represent full taxes paid to The City of Winnipeg. Taxes are assessed on property as if it were privately owned. During 2013, realty and business taxes paid to the General Revenue Fund was \$543 thousand (2012 - \$542 thousand).

#### e) Insurance

Included in expenses is a credit of \$85 thousand (2012 - expense of \$393 thousand) that has been recovered from the Insurance Reserve.

#### f) 311 and business technology services

Included in expenses is \$782 thousand (2012 - \$782 thousand) that has been charged by the General Revenue Fund for services provided by the Corporate Support Services department.

### 14. Expenses by Object

|   | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|---|------------------------|------------------------|------------------------|
| Salaries and wages                          | \$ 80,479              | \$ 77,289              | \$ 74,037              |
| Materials and supplies                      | 28,002                 | 27,363                 | 25,214                 |
| Employee benefits                           | 16,596                 | 15,970                 | 15,023                 |
| Services                                    | 15,608                 | 15,153                 | 15,137                 |
| Interest on debt                            | 7,192                  | 6,877                  | 7,354                  |
| Taxes - municipal and payroll               | 2,269                  | 2,231                  | 2,149                  |
| Other                                       | 2,558                  | 1,925                  | 1,656                  |
| Insurance and transfer to Insurance Reserve | 1,589                  | 1,436                  | 1,883                  |
| Recoveries                                  | (753)                  | (810)                  | (1,558)                |
|   | <b>\$ 153,540</b>      | <b>\$ 147,434</b>      | <b>\$ 140,895</b>      |

**15. Net Surplus from Capital**

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | 2012<br>Actual    |
|--|------------------------|------------------------|-------------------|
| <b>Revenues</b>                                    |                        |                        |                   |
| Transfer from Federal Gas Tax Reserve              | \$ -                   | \$ 12,926              | \$ 5,625          |
| Province of Manitoba capital transfers (Note 10)   | -                      | 9,962                  | 10,358            |
| Transfer from Transit Bus Replacement Reserve      | -                      | 7,139                  | 10,093            |
| Gain on disposal of tangible capital assets        | -                      | 46                     | 47                |
| Transfer from Rapid Transit Infrastructure Reserve | -                      | -                      | 2,151             |
|  | -                      | 30,073                 | 28,274            |
| <b>Expenses</b>                                    |                        |                        |                   |
| Amortization                                       | 5,232                  | 19,325                 | 17,842            |
| Transfer to Transit Bus Replacement Reserve        | 7,534                  | 7,590                  | 8,057             |
| Transfer to Rapid Transit Infrastructure Reserve   | 2,509                  | 2,509                  | 4,092             |
| Work in process costs expensed in year             | -                      | 101                    | -                 |
|  | 15,275                 | 29,525                 | 29,991            |
|  | <b>\$ (15,275)</b>     | <b>\$ 548</b>          | <b>\$ (1,717)</b> |

**16. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the Transit System is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.



# THE CITY OF WINNIPEG TRANSIT SYSTEM

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|  | <u>Vehicles</u>   | <u>Buildings</u> | <u>Land<br/>Improvements</u> |
|--|-------------------|------------------|------------------------------|
| <b>Cost</b>                                      |                   |                  |                              |
| Balance, beginning of year                       | \$ 203,850        | \$ 15,412        | \$ 24,591                    |
| Add: Additions during the year                   | 13,925            | 365              | 534                          |
| Less: Category transfer during the year          | -                 | -                | -                            |
| Less: Disposals during the year                  | (4,836)           | (71)             | -                            |
|  | <u>212,939</u>    | <u>15,706</u>    | <u>25,125</u>                |
| <b>Accumulated amortization</b>                  |                   |                  |                              |
| Balance, beginning of year                       | (90,134)          | (9,172)          | (10,278)                     |
| Add: Amortization                                | (11,222)          | (422)            | (1,973)                      |
| Less: Accumulated amortization on disposal       | 4,836             | 61               | -                            |
|  | <u>(96,520)</u>   | <u>(9,533)</u>   | <u>(12,251)</u>              |
| <b>Net Book Value of Tangible Capital Assets</b> | <u>\$ 116,419</u> | <u>\$ 6,173</u>  | <u>\$ 12,874</u>             |

| <b>Land</b>      | <b>Roads,<br/>Bridges,<br/>and Tunnels</b> | <b>Other</b>     | <b>Assets Under<br/>Construction</b> | <b>2013</b>              | <b>2012</b>       |
|------------------|--|------------------|--------------------------------------|--------------------------|-------------------|
| \$ 13,812        | \$ 127,056                                 | \$ 20,349        | \$ 9,403                             | \$ <b>414,473</b>        | \$ 381,331        |
| 254              | (634)                                      | 11,880           | 13,856                               | <b>40,180</b>            | 38,521            |
| -                | -  | -                | -                                    | -                        | -                 |
| -                | -  | (410)            | -                                    | <b>(5,317)</b>           | (5,379)           |
| 14,066           | 126,422                                    | 31,819           | 23,259                               | <b>449,336</b>           | 414,473           |
| -                | (4,560)                                    | (8,961)          | -                                    | <b>(123,105)</b>         | (110,622)         |
| -                | (3,447)                                    | (2,261)          | -                                    | <b>(19,325)</b>          | (17,842)          |
| -                | -  | 410              | -                                    | <b>5,307</b>             | 5,359             |
| -                | (8,007)                                    | (10,812)         | -                                    | <b>(137,123)</b>         | (123,105)         |
| <u>\$ 14,066</u> | <u>\$ 118,415</u>                          | <u>\$ 21,007</u> | <u>\$ 23,259</u>                     | <u>\$ <b>312,213</b></u> | <u>\$ 291,368</u> |



## **THE CITY OF WINNIPEG WATERWORKS SYSTEM**

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, sewage, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the intake, 174.5 kms of aqueduct, five pumping stations, four reservoir systems, one water treatment plant, and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, Utility Dividend and transfers to the Water Main Renewal Reserve.

The water treatment plant commenced the delivery of water to the City December 2009. The total cost was \$300 million. The plant has a treatment capacity of 400 million litres per day and was constructed to enhance public health protection. The benefits of water treatment are: reduced risk of waterborne disease, reduced levels of disinfection by-products, and to meet more stringent Canadian drinking water quality guidelines.

City Council approved The Utility Dividend Policy on March 22, 2011. The policy states the utility will pay an annual dividend to the City of Winnipeg based on 8% of budgeted gross sales for the current year. The dividend policy is to be reviewed every four years within three months of each new term of City Council. The Waterworks System dividend was \$7.8 million in 2013 (2012 - \$7.2 million).

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## FIVE-YEAR REVIEW

December 31

(unaudited)

|   | <u>2013</u>    | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|----------------|-------------|-------------|-------------|-------------|
| Block 1 rate in dollars (per<br>cu. metre)                      | \$ <b>1.39</b> | \$ 1.35     | \$ 1.34     | \$ 1.29     | \$ 1.25     |
| Annual water pumped<br>(million litres)                         | <b>74,374</b>  | 83,927      | 79,975      | 75,031      | 78,587      |
| Water pumped in litres<br>per capita per day                    | <b>285</b>     | 328         | 316         | 301         | 326         |
| Average daily water pumped<br>(million litres per day)          | <b>204</b>     | 229         | 219         | 206         | 215         |
| Maximum day water<br>pumping rates<br>(million litres per day)  | <b>260</b>     | 312         | 291         | 247         | 259         |
| Maximum hour water<br>pumping rates<br>(million litres per day) | <b>369</b>     | 479         | 468         | 361         | 384         |
| Kilometres of aqueduct  | <b>174.5</b>   | 174.5       | 174.5       | 174.5       | 174.5       |
| Kilometres of feeder mains                                      | <b>149.9</b>   | 149.9       | 148.3       | 149.6       | 150.2       |
| Kilometres of water mains                                       | <b>2,584.7</b> | 2,557.0     | 2,531.0     | 2,543.2     | 2,519.3     |
| Number of hydrants  | <b>21,335</b>  | 21,101      | 21,031      | 20,698      | 20,562      |
| Number of billed services                                       | <b>199,626</b> | 197,651     | 195,939     | 194,600     | 193,107     |

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## STATEMENT OF FINANCIAL POSITION

*As at December 31  
(in thousands of dollars)  
(unaudited)*

|   | <u>2013</u>              | <u>2012</u>              |
|---|--------------------------|--------------------------|
| <b>ASSETS</b>                                     |                          |                          |
| Current   |                          |                          |
| Cash  | \$ 4                     | \$ 20                    |
| Accounts receivable (Note 3)                      | 19,646                   | 16,796                   |
| Due from General Revenue Fund (Note 4)            | 25,350                   | 41,387                   |
| Inventories                                       | 1,313                    | 1,368                    |
| Prepaid expenses                                  | 75                       | 2                        |
|   | <u>46,388</u>            | <u>59,573</u>            |
| Tangible capital assets (Note 5)                  | 887,566                  | 871,827                  |
| Deferred charges (Note 6)                         | <u>2,127</u>             | <u>2,220</u>             |
|   | <u><u>\$ 936,081</u></u> | <u><u>\$ 933,620</u></u> |
| <b>LIABILITIES</b>                                |                          |                          |
| Current   |                          |                          |
| Accounts payable and accrued liabilities (Note 7) | \$ 6,065                 | \$ 6,671                 |
| Current portion of long-term debt (Note 8)        | <u>4,330</u>             | <u>4,324</u>             |
|   | 10,395                   | 10,995                   |
| Long-term debt (Note 8)                           | <u>143,493</u>           | <u>150,205</u>           |
|   | 153,888                  | 161,200                  |
| <b>ACCUMULATED SURPLUS (Note 9)</b>               | <u>782,193</u>           | <u>772,420</u>           |
|   | <u><u>\$ 936,081</u></u> | <u><u>\$ 933,620</u></u> |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31

(in thousands of dollars)

(unaudited)

|   | 2013<br>Budget  | 2013<br>Actual    | 2012<br>Actual    |
|---|-----------------|-------------------|-------------------|
| <b>REVENUES (Schedule 1)</b>  |                 |                   |                   |
| Sale of goods and services (Note 10)  | \$ 97,410       | \$ 96,205         | \$ 93,108         |
| Government transfers, permits and other                                     | 1,820           | 1,805             | 3,121             |
| Interest  | 2,582           | 2,812             | 2,718             |
| Total revenues  | 101,812         | 100,822           | 98,947            |
| <b>EXPENSES (Schedules 2 and 3)</b>   |                 |                   |                   |
| Water distribution  | 42,446          | 41,338            | 42,345            |
| Debt and finance  | 18,621          | 11,886            | 12,306            |
| Taxes, employee benefits and other (Note 11)                                | 6,266           | 5,803             | 6,551             |
| Engineering services  | 3,804           | 3,370             | 3,337             |
| Finance and administration  | 3,089           | 3,354             | 3,217             |
| Information systems and technology  | 2,202           | 2,286             | 1,812             |
| Environmental standards   | 1,298           | 1,262             | 1,160             |
| Customer services   | 1,235           | 1,172             | 1,186             |
| Human resources   | 1,580           | 940               | 833               |
| Total expenses from operations  | 80,541          | 71,411            | 72,747            |
| Surplus for the year from operations  | 21,271          | 29,411            | 26,200            |
| Transfers to other funds (Note 12)  | 15,000          | 15,000            | 14,232            |
| Net surplus from operations after transfers to other funds                  | 6,271           | 14,411            | 11,968            |
| Net surplus from capital (Schedule 4)                                       | -               | 3,126             | 6,875             |
| <b>NET SURPLUS FOR THE YEAR</b>   | <b>\$ 6,271</b> | <b>17,537</b>     | <b>18,843</b>     |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>                               |                 | <b>772,420</b>    | <b>760,800</b>    |
| <b>CITY OF WINNIPEG - GENERAL REVENUE FUND<br/>UTILITY DIVIDEND PAYMENT</b> |                 | <b>(7,764)</b>    | <b>(7,223)</b>    |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                                     |                 | <b>\$ 782,193</b> | <b>\$ 772,420</b> |

See accompanying notes and schedules to the financial statements

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## STATEMENT OF CASH FLOWS

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|   | <b>2013</b>   | 2012         |
|---|---------------|--------------|
| <b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b> |               |              |
| <b><i>OPERATING</i></b>   |               |              |
| Net surplus for the year  | \$ 17,537     | \$ 18,843    |
| Non-cash items related to operations  |               |              |
| Amortization  | 21,009        | 20,611       |
| Loss on disposal of tangible capital assets                                     | 17            | 124          |
| Amortization of debenture discount  | 93            | 93           |
| Working capital from operations   | 38,656        | 39,671       |
| Change in net working capital other than cash                                   | (3,467)       | 183          |
|   | <b>35,189</b> | 39,854       |
| <b><i>FINANCING</i></b>   |               |              |
| Debt retired  | (194)         | (182)        |
| Utility dividend payment  | (7,764)       | (7,223)      |
| Interest on sinking fund  | (2,382)       | (2,295)      |
| Due from General Revenue Fund   | 16,037        | 5,512        |
| Payments to sinking fund  | (4,136)       | (4,136)      |
|   | <b>1,561</b>  | (8,324)      |
| <b><i>INVESTING</i></b>   |               |              |
| Purchase of tangible capital assets   | (36,766)      | (31,587)     |
| Decrease in cash  | (16)          | (57)         |
| Cash, beginning of year   | 20            | 77           |
| Cash, end of year   | <b>\$ 4</b>   | <b>\$ 20</b> |

*See accompanying notes and schedules to the financial statements*



# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay with the following exception:

The operations are accounted for on the accrual basis except for vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

#### a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

|                                       |                 |
|---------------------------------------|-----------------|
| Buildings                             | 10 to 50 years  |
| Machinery and equipment               | 10 to 40 years  |
| Computer hardware and software        | 5 to 10 years   |
| Bridges and structures                | 25 to 30 years  |
| Water and waste plants and networks   |                 |
| Underground networks                  | 50 to 100 years |
| Water pumping stations and reservoirs | 50 to 75 years  |

Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

#### c) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

## 1. *Significant Accounting Policies (continued)*

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

### **d) Debenture discounts and issue expenses**

Issue expenses are charged to operations in the year of the related debenture issue and discounts on debentures issued are amortized over future periods to which they relate.

### **e) Shoal Lake Agreement**

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

### **f) Water Main Renewal Reserve Fund**

On February 18, 1981, City Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002. In 2009, City Council directed that the frontage levy revenue collected on the property tax be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Since 2009, the Water Main Renewal Reserve is funded through water rates.

## 2. *Status of the Waterworks System*

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems, a water treatment plant and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

## 3. *Accounts Receivable*

|                                 | <u>2013</u>      | <u>2012</u>      |
|---------------------------------|------------------|------------------|
| Water billings and other        | \$ 20,046        | \$ 17,196        |
| Allowance for doubtful accounts | <u>(400)</u>     | <u>(400)</u>     |
|                                 | <u>\$ 19,646</u> | <u>\$ 16,796</u> |

#### **4. Due from General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).

#### **5. Tangible Capital Assets**

|                                       | Net Book Value    |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 2013              | 2012              |
| Land                                  | \$ 1,824          | \$ 1,824          |
| Buildings                             | 3,590             | 3,695             |
| Machinery and equipment               | 858               | 977               |
| Computer                              | 9,894             | 11,516            |
| Underground networks                  | 541,515           | 520,572           |
| Road and bridges                      | 606               | -                 |
| Water pumping stations and reservoirs | 323,248           | 327,825           |
| Assets under construction             | 6,031             | 5,418             |
|                                       | <u>\$ 887,566</u> | <u>\$ 871,827</u> |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2013 and 2012 there were no write-downs of tangible capital assets and interim financing charges capitalized during 2013 were \$196 thousand (2012 - \$44 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totaled \$12.0 million in 2013 (2012 - \$12.7 million) and were capitalized at their fair value at the time of receipt.

#### **6. Deferred Charges**

|                             | 2013            | 2012            |
|-----------------------------|-----------------|-----------------|
| Deferred debenture discount | <u>\$ 2,127</u> | <u>\$ 2,220</u> |

#### **7. Accounts Payable and Accrued Liabilities**

|                            | 2013            | 2012            |
|----------------------------|-----------------|-----------------|
| Accrued debenture interest | \$ 4,580        | \$ 4,763        |
| Other accrued liabilities  | 610             | 1,024           |
| Deferred revenue and other | 475             | 476             |
| Trade accounts payable     | 400             | 408             |
|                            | <u>\$ 6,065</u> | <u>\$ 6,671</u> |

## 8. Long-Term Debt

### Sinking fund debentures outstanding

| Term                                    | Maturity Date | Rate of Interest | Series | By-Law No.           | Amount of Debt  |          |
|---|---------------|------------------|--------|----------------------|-----------------|----------|
|   |               |                  |        |                      | 2013            | 2012     |
| 1993-2013                               | Feb. 11       | 9.375            | VN     | 6090/93              | \$ -            | \$ 5,000 |
| 1994-2014                               | Jan. 20       | 8.000            | VQ     | 6300/94              | <b>13,000</b>   | 13,000   |
| 1995-2015                               | May 12        | 9.125            | VR     | 6620/95              | <b>25,000</b>   | 25,000   |
| 2006-2036                               | July 17       | 5.200            | VZ     | 183/2004 and 72/2006 | <b>60,000</b>   | 60,000   |
| 2008-2036                               | July 17       | 5.200            |        | 72/2006 B            | <b>100,000</b>  | 100,000  |
|   |               |                  |        |                      | <b>198,000</b>  | 203,000  |
| Equity in Sinking Funds (Note 8b)       |               |                  |        |                      | <b>(52,916)</b> | (51,398) |
| Net sinking fund debentures outstanding |               |                  |        |                      | <b>145,084</b>  | 151,602  |

### Other long-term debt outstanding

Canada Mortgage and Housing Corporation ("CMHC") debt, maturity in 2025, interest rate of 3.35%

|                                   |                   |            |
|-----------------------------------|-------------------|------------|
|                                   | <b>2,739</b>      | 2,927      |
|                                   | <b>147,823</b>    | 154,529    |
| Current portion of long-term debt | <b>(4,330)</b>    | (4,324)    |
|                                   | <b>\$ 143,493</b> | \$ 150,205 |

Principal retirement on long-term debt over the next five years is as follows:

|                         | 2014             | 2015             | 2016          | 2017          | 2018          | Thereafter        |
|-------------------------|------------------|------------------|---------------|---------------|---------------|-------------------|
| Sinking fund debentures | \$ 13,000        | \$ 25,000        | \$ -          | \$ -          | \$ -          | \$ 160,000        |
| CMHC                    | 194              | 201              | 207           | 214           | 222           | 1,701             |
|                         | <b>\$ 13,194</b> | <b>\$ 25,201</b> | <b>\$ 207</b> | <b>\$ 214</b> | <b>\$ 222</b> | <b>\$ 161,701</b> |

- All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City of Winnipeg Waterworks System is currently paying between two and three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- Cash paid for interest during the year was \$11.8 million (2012 - \$12.2 million).

## 9. *Accumulated Surplus*

|                                     | <u>2013</u>       | <u>2012</u>       |
|-------------------------------------|-------------------|-------------------|
| Invested in tangible capital assets | \$ 739,744        | \$ 717,298        |
| Retained earnings                   | 50,213            | 62,345            |
| Utility dividend payment            | <u>(7,764)</u>    | <u>(7,223)</u>    |
|                                     | <u>\$ 782,193</u> | <u>\$ 772,420</u> |

Beginning 2011, City Council approved The Utility Dividend Policy that directs the Waterworks System to make annual dividend payments to the City of 8% of adopted budget gross sales.

## 10. *Revenue*

Effective January 1, 2013 the block 1 water rate was \$1.39 per hundred cubic metres (2012 - \$1.35).

## 11. *Taxes, Employee Benefits and Other*

### **Property taxes**

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2013, taxes paid to the General Revenue Fund was \$2.3 million (2012 - \$2.3 million).

### **Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2013 is \$2.8 million (2012 - \$2.7 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2013 is estimated at \$1.3 million (2012 - \$0.8 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$1.1 million (2012 - \$1.1 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$4.1 million (2012 - \$4.2 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year \$3.0 million (2012 - \$2.8 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2012 and has disclosed an actuarial surplus.

## **11. Taxes, Employee Benefits and Other (continued)**

### **General government charges**

Included in expenses is \$988 thousand (2012 - \$1.4 million) in general government service charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure. The actual business technology service charges applicable to the Waterworks System for 2013 are captured under Transfers.

### **Rent**

Included in expenses is \$1.1 million (2012 - \$1.2 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

### **Insurance and damage claims**

Included in expenses is \$193 thousand (2012 - \$417 thousand) charged by the City of Winnipeg Insurance Reserve.

## **12. Transfers to Other Funds**

The Waterworks System transfers to other funds are as follows:

|  | <b>2013</b>      | <b>2012</b>      |
|--|------------------|------------------|
| Transfer to Water Main Renewal Reserve | \$ <b>15,000</b> | \$ 14,000        |
| Transfer to General Capital Fund       | -                | 232              |
|  | <b>\$ 15,000</b> | <b>\$ 14,232</b> |

## **13. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Waterworks System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## Schedule 1

### REVENUES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
| <b>Sale of goods and services</b>              |                        |                        |                        |
| Water sales                                    | \$ 97,054              | \$ 95,847              | \$ 92,812              |
| Fire hydrant and other rentals                 | 346                    | 281                    | 294                    |
| Sale of scrap material                         | 10                     | 77                     | 2                      |
|  | <b>97,410</b>          | <b>96,205</b>          | <b>93,108</b>          |
| <b>Government transfers, permits and other</b> |                        |                        |                        |
| Permits and fees                               | 920                    | 943                    | 972                    |
| Provincial support transfer                    | 794                    | 705                    | 707                    |
| Other  | 106                    | 157                    | 1,442                  |
|  | <b>1,820</b>           | <b>1,805</b>           | <b>3,121</b>           |
| <b>Interest</b>                                |                        |                        |                        |
| Sinking Fund earnings                          | 2,382                  | 2,382                  | 2,295                  |
| Interest                                       | 140                    | 234                    | 379                    |
| Interest capitalized                           | 60                     | 196                    | 44                     |
|  | <b>2,582</b>           | <b>2,812</b>           | <b>2,718</b>           |
| <b>Total Revenues</b>                          | <b>\$ 101,812</b>      | <b>\$ 100,822</b>      | <b>\$ 98,947</b>       |

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

Schedule 2

## EXPENSES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | 2013<br>Budget | 2013<br>Actual | 2012<br>Actual |
|--|----------------|----------------|----------------|
| <b>Water treatment and distribution</b>            |                |                |                |
| Water treatment plant                              | \$ 17,646      | \$ 16,019      | \$ 17,582      |
| Water main maintenance                             | 8,441          | 9,779          | 9,858          |
| Service pipe maintenance                           | 3,864          | 4,946          | 3,974          |
| General administration                             | 1,946          | 2,159          | 2,338          |
| Hydrant maintenance                                | 2,399          | 1,823          | 2,107          |
| Emergency services                                 | 2,285          | 1,755          | 1,828          |
| Railway maintenance and operations                 | 1,880          | 1,643          | 1,551          |
| Water meter maintenance                            | 1,402          | 1,126          | 1,132          |
| Valve maintenance                                  | 879            | 677            | 483            |
| Mechanical/civil/electrical maintenance allocation | 719            | 600            | 641            |
| Intake operation                                   | 548            | 476            | 503            |
| Stores - 552 Plinguet                              | 359            | 293            | 296            |
| Meter shop   | 78             | 42             | 52             |
|  | <b>42,446</b>  | <b>41,338</b>  | <b>42,345</b>  |
| <b>Debt and finance</b>                            |                |                |                |
| Long-term debt                                     |                |                |                |
| Interest   | 11,822         | 11,794         | 12,214         |
| Amortization                                       | 6,707          | -              | -              |
| Finance charges                                    | 92             | 92             | 92             |
|  | <b>18,621</b>  | <b>11,886</b>  | <b>12,306</b>  |
| <b>Taxes, employee benefits and other</b>          |                |                |                |
| Property taxes                                     | 2,756          | 2,758          | 2,721          |
| Rent   | 1,060          | 1,045          | 1,189          |
| Employee benefits                                  | 658            | 930            | 1,048          |
| General government charges                         | 896            | 896            | 921            |
| Provincial payroll tax                             | 765            | 712            | 699            |
| Insurance and damage claims                        | 502            | 601            | 582            |
| Other services                                     | 229            | 165            | 187            |
| Recoveries   | (600)          | (1,304)        | (796)          |
|  | <b>6,266</b>   | <b>5,803</b>   | <b>6,551</b>   |



# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## Schedule 2

### EXPENSES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | 2013<br>Budget | 2013<br>Actual | 2012<br>Actual |
|--|----------------|----------------|----------------|
| <b>Engineering services division</b>               |                |                |                |
| Water planning                                     | 1,346          | 899            | 1,088          |
| Administration                                     | 340            | 592            | 472            |
| Drafting and graphics                              | 551            | 547            | 555            |
| Design and construction                            | 653            | 538            | 530            |
| Customer technical services                        | 419            | 376            | 317            |
| Asset management                                   | 332            | 265            | 231            |
| Services development                               | 163            | 153            | 144            |
|  | <b>3,804</b>   | <b>3,370</b>   | 3,337          |
| <b>Finance and administration division</b>         |                |                |                |
| Customer billing                                   | 2,004          | 2,194          | 2,098          |
| Accounting services                                | 308            | 357            | 281            |
| Administrative services                            | 236            | 268            | 300            |
| Financial planning                                 | 203            | 230            | 291            |
| Process improvement                                | 164            | 151            | 117            |
| Knowledge management                               | 174            | 145            | 130            |
| Landfill billing                                   | -              | 9              | -              |
|  | <b>3,089</b>   | <b>3,354</b>   | 3,217          |
| <b>Information systems and technology division</b> |                |                |                |
| Support services                                   | 873            | 921            | 708            |
| Major systems                                      | 890            | 746            | 1,042          |
| Planning and Design                                | 439            | 619            | 62             |
|  | <b>2,202</b>   | <b>2,286</b>   | 1,812          |
| <b>Environmental standards division</b>            |                |                |                |
| Analytical services                                | 695            | 724            | 752            |
| Compliance   | 292            | 277            | 276            |
| Administration                                     | 311            | 261            | 132            |
|  | <b>1,298</b>   | <b>1,262</b>   | 1,160          |
| <b>Customer services division</b>                  |                |                |                |
| Customer relations                                 | 893            | 843            | 903            |
| Administration                                     | 276            | 246            | 212            |
| Communications                                     | 66             | 83             | 71             |
|  | <b>1,235</b>   | <b>1,172</b>   | 1,186          |

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## Schedule 2

### EXPENSES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|   | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|---|------------------------|------------------------|------------------------|
| <b>Human resources division</b>           |                        |                        |                        |
| Human resources                           | <b>656</b>             | <b>449</b>             | 351                    |
| Timekeeping and payroll                   | <b>295</b>             | <b>196</b>             | 184                    |
| Human resources training                  | <b>266</b>             | <b>168</b>             | 158                    |
| Work place health and safety              | <b>363</b>             | <b>127</b>             | 140                    |
|   | <b>1,580</b>           | <b>940</b>             | 833                    |
| <b>Total Expenses from Operations</b>     | <b>80,541</b>          | <b>71,411</b>          | 72,747                 |
| <b>Transfers to other funds (Note 12)</b> |                        |                        |                        |
| Transfer to Water Main Renewal Reserve    | <b>15,000</b>          | <b>15,000</b>          | 14,000                 |
| Transfer to General Capital Fund          | <b>-</b>               | <b>-</b>               | 232                    |
|   | <b>15,000</b>          | <b>15,000</b>          | 14,232                 |
| <b>Total transfers to other funds</b>     | <b>15,000</b>          | <b>15,000</b>          | 14,232                 |
| <b>Total Expenses</b>                     | <b>\$ 95,541</b>       | <b>\$ 86,411</b>       | \$ 86,979              |

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## Schedule 3

### EXPENSES BY OBJECT

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|                            | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|----------------------------|------------------------|------------------------|------------------------|
| Goods and services         | \$ 32,754              | \$ 33,466              | \$ 32,371              |
| Salaries                   | 36,064                 | 32,580                 | 32,794                 |
| Transfers                  | 16,075                 | 16,099                 | 14,769                 |
| Interest on long-term debt | 11,821                 | 11,791                 | 12,214                 |
| Employee benefits          | 6,679                  | 6,547                  | 6,622                  |
| Other expenses             | 5,189                  | 5,084                  | 5,566                  |
| Grants                     | 150                    | 120                    | 120                    |
| Finance charges            | 92                     | 95                     | 92                     |
| Amortization               | 6,706                  | -                      | -                      |
| Recoveries                 | (19,989)               | (19,371)               | (17,569)               |
| <b>Total Expenses</b>      | <b>\$ 95,541</b>       | <b>\$ 86,411</b>       | <b>\$ 86,979</b>       |

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

Schedule 4

## NET SURPLUS FROM CAPITAL

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|   | <b>2013<br/>Actual</b> | 2012<br>Actual |
|---|------------------------|----------------|
| <b>Revenues</b>                             |                        |                |
| Transfers                                   |                        |                |
| Water Main Renewal Reserve                  | \$ 12,182              | \$ 15,274      |
| Sewage Disposal System                      | 83                     | 365            |
|   | <b>12,265</b>          | 15,639         |
| Developer contributions-in-kind             | <b>12,011</b>          | 12,692         |
| Total revenue from capital                  | <b>24,276</b>          | 28,331         |
| <b>Expenses</b>                             |                        |                |
| Amortization                                | <b>21,009</b>          | 20,611         |
| Loss on disposal of tangible capital assets | 17                     | 124            |
| Transfer to Sewage Disposal System          | 14                     | 282            |
| Other expenses                              | 110                    | 439            |
| Total expenses from capital                 | <b>21,150</b>          | 21,456         |
| Net surplus from capital                    | <b>\$ 3,126</b>        | \$ 6,875       |

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|  | <b>General</b>  |                 |                               |                 |
|--|-----------------|-----------------|-------------------------------|-----------------|
|  | Land            | Buildings       | Machinery<br>and<br>Equipment | Computer        |
| <b>Cost</b>  |                 |                 |                               |                 |
| Balance, beginning of year                           | \$ 1,824        | \$ 5,678        | \$ 9,934                      | \$ 38,425       |
| Add: Additions during the year                       | -               | -               | -                             | 162             |
| Less: Disposals during the year                      | -               | -               | -                             | -               |
| Balance, end of year                                 | 1,824           | 5,678           | 9,934                         | 38,587          |
| <b>Accumulated amortization</b>                      |                 |                 |                               |                 |
| Balance, beginning of year                           | -               | 1,982           | 8,957                         | 26,910          |
| Add: Amortization                                    | -               | 106             | 119                           | 1,783           |
| Less: Accumulated amortization<br>on disposals       | -               | -               | -                             | -               |
| Balance, end of year                                 | -               | 2,088           | 9,076                         | 28,693          |
| <b>Net Book Value of Tangible<br/>Capital Assets</b> | <u>\$ 1,824</u> | <u>\$ 3,590</u> | <u>\$ 858</u>                 | <u>\$ 9,894</u> |

| Infrastructure          |                      |   |                                 | Totals       |              |
|-------------------------|----------------------|---|---------------------------------|--------------|--------------|
| Underground<br>Networks | Roads and<br>Bridges | Water Pumping<br>Stations and<br>Reservoirs | Assets<br>Under<br>Construction | 2013         | 2012         |
| \$ 751,860              | \$ -                 | \$ 402,824                                  | \$ 5,418                        | \$ 1,215,963 | \$ 1,185,928 |
| 32,224                  | 616                  | 3,151                                       | 613                             | 36,766       | 31,587       |
| (2,425)                 | -                    | -   | -                               | (2,425)      | (1,551)      |
| 781,659                 | 616                  | 405,975                                     | 6,031                           | 1,250,304    | 1,215,964    |
| 231,289                 | -                    | 74,999                                      | -                               | 344,137      | 324,953      |
| 11,263                  | 10                   | 7,728                                       | -                               | 21,009       | 20,611       |
| (2,408)                 | -                    | -   | -                               | (2,408)      | (1,427)      |
| 240,144                 | 10                   | 82,727                                      | -                               | 362,738      | 344,137      |
| \$ 541,515              | \$ 606               | \$ 323,248                                  | \$ 6,031                        | \$ 887,566   | \$ 871,827   |







## **THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM**

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, sewage, land drainage, flood control and solid waste services to the residents and businesses of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Sewage Disposal System is to protect public health, and the aquatic environment through adequate collection and treatment of sewage generated in Winnipeg as well as hauled liquid waste received from Winnipeg and surrounding communities. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three sewage treatment plants, biosolids disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund, Utility Dividend and transfers to the Environmental Projects Reserve and Sewer System Rehabilitation Reserve.

An Environmental Projects Reserve Fund was authorized by City Council on December 17, 1993. It was established to fund environmental projects to protect river quality. River quality is under the jurisdiction of the Province of Manitoba. In 2003, the Clean Environment Commission (CEC) conducted public hearings to review and receive comments on the City's sewage collection and treatment improvement program, and made several recommendations to upgrade and improve the sewage collection and treatment systems. In response Manitoba Conservation issued Environment Act Licences to the City for the North End, West End, and South End Sewage Treatment Plants (NESTP, WESTP and SESTP). The Licences stipulate effluent parameters that require upgrades to the sewage treatment plants. The Licences require effluent disinfection, nutrient removal, centrate treatment, combined sewer overflow mitigation, and solids management to be in compliance with the Environment Act. Based on preliminary assessments the upgrade program is estimated to cost between \$1.2 to \$1.8 billion depending on market factors and interpretation on compliance requirements. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing environmental programs and studies including a portion of the sewage collection and treatment system improvements as directed by the Province of Manitoba.

Sewage treatment upgrades to the NESTP effluent disinfection, NESTP centrate, and WESTP are complete and fully operational.

Engineering design efforts on nutrient removal at the SESTP were initiated in 2006, with construction to be completed by December 30, 2016, subject to approval of the Conceptual Design by Manitoba Conservation. Engineering design efforts for the NESTP nutrient reduction and recovery, including solids handling, were initiated in 2011 and will adhere to the Water Protection Act, which is a provincial act that stipulates biological nutrient removal requirements.

City Council approved The Utility Dividend Policy on March 22, 2011. The policy states the utility will pay an annual dividend to the City of Winnipeg based on 8% of budgeted gross sales for the current year. The dividend policy is to be reviewed every four years within three months of each new term of City Council. The Sewage Disposal System dividend was \$11.5 million in 2013 (2012 - \$10.7 million).



# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## FIVE-YEAR REVIEW

December 31

(unaudited)

|   | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Rate in dollars<br>(per cubic meter)        | \$ 2.15     | \$ 2.10     | \$ 1.97     | \$ 1.91     | \$ 1.86     |
| Annual sewage received<br>(million litres)* | 89,423      | 90,685      | 104,784     | 114,941     | 112,974     |
| Daily sewage received<br>(million litres)*  | 245.0       | 247.8       | 290.4       | 314.9       | 309.5       |
| Kilometres of interceptor<br>sewers         | 119.4       | 118.7       | 120.8       | 120.8       | 116.2       |
| Kilometres of combined<br>sewers **         | 1,037.0     | 1,039.1     | 1,041.7     | 1,040.5     | 1,043.5     |
| Kilometres of wastewater<br>sewers          | 1,423.0     | 1,391.0     | 1,376.4     | 1,359.6     | 1,351.6     |
| Kilometres of storm sewers ***              | 1,359.8     | 1,326.1     | 1,307.9     | 1,850.0     | 1,838.9     |
| Number of lift stations                     | 74          | 74          | 74          | 73          | 73          |
| Number of billed sewer<br>services          | 199,498     | 197,530     | 195,807     | 194,060     | 192,569     |

Note:

\* Sewage received is dependent on both levels of precipitation and water conservation efforts.

\*\* Reduction in combined sewers is due to sewer separation projects resulting from the combined sewer overflow and basement flood management program.

\*\*\* Prior years restated to include both land drainage sewer mains and storm relief sewer mains.

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | <u>2013</u>              | <u>2012</u>              |
|---|--------------------------|--------------------------|
| <b>ASSETS</b>                                     |                          |                          |
| Current   |                          |                          |
| Cash  | \$ 1                     | \$ 1                     |
| Inventory   | 216                      | 223                      |
| Accounts receivable (Note 3)                      | 33,207                   | 30,549                   |
| Prepaid expenses                                  | 667                      | 867                      |
| Due from General Revenue Fund (Note 4)            | <u>68,202</u>            | <u>68,829</u>            |
|   | 102,293                  | 100,469                  |
| Tangible capital assets (Note 5)                  | <u>867,531</u>           | <u>835,317</u>           |
|   | <u><u>\$ 969,824</u></u> | <u><u>\$ 935,786</u></u> |
| <b>LIABILITIES</b>                                |                          |                          |
| Current   |                          |                          |
| Accounts payable and accrued liabilities (Note 6) | \$ 8,428                 | \$ 7,904                 |
| Performance and other deposits                    | 3,598                    | 2,316                    |
| Current portion of long-term debt (Note 7)        | <u>1,509</u>             | <u>3,927</u>             |
|   | 13,535                   | 14,147                   |
| Long-term debt (Note 7)                           | <u>89</u>                | <u>3,420</u>             |
|   | 13,624                   | 17,567                   |
| <b>ACCUMULATED SURPLUS (Note 8)</b>               | <u>956,200</u>           | <u>918,219</u>           |
|   | <u><u>\$ 969,824</u></u> | <u><u>\$ 935,786</u></u> |
| Commitment (Note 9)                               |                          |                          |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG

## SEWAGE DISPOSAL SYSTEM

### STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31

(in thousands of dollars)

(unaudited)

|   | 2013<br>Budget | 2013<br>Actual | 2012<br>Actual |
|---|----------------|----------------|----------------|
| <b>REVENUES (Schedule 1)</b>  |                |                |                |
| Sewer services (Note 10)  | \$ 143,417     | \$ 138,904     | \$ 136,601     |
| Government transfers, permits and other                                     | 7,186          | 6,893          | 6,393          |
| Interest  | 2,422          | 2,554          | 4,118          |
| Total revenues  | 153,025        | 148,351        | 147,112        |
| <b>EXPENSES (Schedules 2 and 3)</b>   |                |                |                |
| Collection, interception and treatment                                      | 40,950         | 39,522         | 38,303         |
| Taxes, employee benefits and other (Note 11)                                | 12,790         | 12,779         | 13,473         |
| Engineering services  | 8,625          | 6,433          | 5,160          |
| Debt and finance  | 8,998          | 3,253          | 6,668          |
| Finance and administration  | 3,627          | 3,166          | 3,231          |
| Environmental standards   | 2,509          | 2,267          | 2,211          |
| Information systems and technology  | 2,121          | 1,922          | 1,540          |
| Customer services   | 1,088          | 880            | 954            |
| Human resources   | 367            | 813            | 746            |
| Total expenses from operations  | 81,075         | 71,035         | 72,286         |
| Surplus for the year from operations  | 71,950         | 77,316         | 74,826         |
| Transfers to other funds (Note 12)  | 44,642         | 43,380         | 44,954         |
| Net surplus for the year<br>from operations after transfer to other funds   | 27,308         | 33,936         | 29,872         |
| Net surplus from capital (Schedule 4)                                       | -              | 15,518         | 14,321         |
| Net surplus for the year  | \$ 27,308      | 49,454         | 44,193         |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>                               |                | 918,219        | 884,734        |
| <b>CITY OF WINNIPEG - GENERAL REVENUE FUND<br/>UTILITY DIVIDEND PAYMENT</b> |                | (11,473)       | (10,708)       |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                                     |                | \$ 956,200     | \$ 918,219     |

See accompanying notes and schedules to the financial statements

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## STATEMENT OF CASH FLOWS

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <u>2013</u>     | <u>2012</u>     |
|---|-----------------|-----------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>  |                 |                 |
| <b>OPERATING</b>  |                 |                 |
| Net surplus for the year  | \$ 49,454       | \$ 44,193       |
| Non-cash items related to operations  |                 |                 |
| Amortization  | 20,429          | 19,830          |
| Loss on disposal of tangible capital assets   | 97              | 815             |
|   | <u>69,980</u>   | <u>64,838</u>   |
| Working capital from operations   | (644)           | (54)            |
| Change in net working capital other than cash   | <u>69,336</u>   | <u>64,784</u>   |
| <b>FINANCING</b>  |                 |                 |
| Debt retired  | (1,659)         | (1,580)         |
| Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees") | (1,822)         | (3,313)         |
| Due from General Revenue Fund   | 627             | (5,077)         |
| Payments to The Sinking Fund Trustees for outstanding long-term debt  | (2,268)         | (2,268)         |
| Utility dividend payment  | (11,473)        | (10,708)        |
|   | <u>(16,595)</u> | <u>(22,946)</u> |
| <b>INVESTING</b>  |                 |                 |
| Purchase of tangible capital assets   | (52,741)        | (41,838)        |
| Cash, beginning of year   | <u>1</u>        | <u>1</u>        |
| Cash, end of year   | <u>\$ 1</u>     | <u>\$ 1</u>     |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

### 1. Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

#### Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

#### a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

|   |                 |
|---|-----------------|
| Buildings                                 | 10 to 50 years  |
| Machinery and equipment                   | 10 to 25 years  |
| Information systems                       | 5 to 10 years   |
| Water and sewage plants and networks      |                 |
| Underground networks                      | 75 to 100 years |
| Sewage treatment plants and lift stations | 50 to 75 years  |

Assets under construction are not amortized until the asset is available for productive use.

#### b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

## **1. Significant Accounting Policies (continued)**

### **c) Government transfers**

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

### **d) Sewer System Rehabilitation Reserve Fund**

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds for the renewal and rehabilitation of combined and wastewater sewers, respectively, that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding was provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves was to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding was allocated by City Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements. On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest. In 2013, \$13.7 million (2012 - \$15.0 million) was transferred to the Sewer System Rehabilitation Reserve Fund.

The Director of the Water and Waste Department is the Fund Manager.

### **e) Environmental Projects Reserve Fund**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the nature of the projects reported in this Reserve.

The 2013 sewer rate includes a provision of 26 cents (2012 - 26 cents) per cubic meter of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2013, \$16.0 million (2012 - \$15.8 million) was transferred to the Environmental Projects Reserve Fund.

## 2. *Status of the Sewage Disposal System*

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the City's sewage collection and treatment system.

## 3. *Accounts Receivable*

|                             | 2013             | 2012             |
|-----------------------------|------------------|------------------|
| Sewer billings              | \$ 31,305        | \$ 28,637        |
| Other                       | 1,311            | 1,425            |
| Provincial grant receivable | 591              | 487              |
|                             | <u>\$ 33,207</u> | <u>\$ 30,549</u> |

## 4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).

## 5. *Tangible Capital Assets*

|   | Net Book Value    |                   |
|---|-------------------|-------------------|
|   | 2013              | 2012              |
| Land                                      | \$ 1,438          | \$ 1,438          |
| Buildings                                 | 386               | 396               |
| Equipment                                 | 180               | 220               |
| Information technology                    | 106               | 129               |
| Underground networks                      | 589,635           | 567,373           |
| Sewage treatment plants and lift stations | 244,567           | 247,187           |
| Assets under construction                 | 31,219            | 18,574            |
|   | <u>\$ 867,531</u> | <u>\$ 835,317</u> |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2013 there was no write-down of tangible capital assets. Interim financing charges capitalized during 2012 were \$97 thousand (2012 - \$97 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled \$12.5 million in 2013 (2012 - \$15.1 million) and were capitalized at their fair value at the time of receipt.

**6. Accounts Payable and Accrued Liabilities**

|                            | <b>2013</b>     | 2012     |
|----------------------------|-----------------|----------|
| Trade accounts payable     | \$ <b>6,902</b> | \$ 4,845 |
| Accrued debenture interest | <b>1,264</b>    | 2,758    |
| Other accrued liabilities  | <b>262</b>      | 301      |
|                            | <b>\$ 8,428</b> | \$ 7,904 |

**7. Long-term Debt**

**Sinking fund debentures outstanding**

| Term                                    | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt<br><b>2013</b> | 2012      |
|---|---------------|------------------|--------|------------|-------------------------------|-----------|
| 1993-2013                               | Feb. 11       | 9.375            | VN     | 6090/93    | \$ -                          | \$ 40,000 |
| 1994-2014                               | Jan. 20       | 8.000            | VQ     | 6300/94    | <b>35,000</b>                 | 35,000    |
|   |               |                  |        |            | <b>35,000</b>                 | 75,000    |
| Equity in Sinking Fund (Note 7b)        |               |                  |        |            | <b>(33,853)</b>               | (69,763)  |
| Net sinking fund debentures outstanding |               |                  |        |            | <b>1,147</b>                  | 5,237     |

**Other long-term debt outstanding**

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 5.015% (2012 - 5.03%)

|                                   |                |          |
|-----------------------------------|----------------|----------|
|                                   | <b>451</b>     | 2,110    |
|                                   | <b>1,598</b>   | 7,347    |
| Current portion of long-term debt | <b>(1,509)</b> | (3,927)  |
|                                   | <b>\$ 89</b>   | \$ 3,420 |

Principal retirement on long-term debt over the remaining future years is as follows:

|                         | 2014             |
|-------------------------|------------------|
| Sinking fund debentures | \$ 35,000        |
| Serial and installment  | 451              |
|                         | <b>\$ 35,451</b> |



## 7. *Long-term Debt (continued)*

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City of Winnipeg Sewage Disposal System is currently paying three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) Cash paid for interest during the year was \$4.7 million (2011 - \$6.9 million).

## 8. *Accumulated Surplus*

|                                     | <b>2013</b>       | 2012       |
|-------------------------------------|-------------------|------------|
| Invested in tangible capital assets | \$ <b>877,960</b> | \$ 840,474 |
| Retained earnings                   | <b>89,713</b>     | 88,453     |
| Utility dividend payment            | <b>(11,473)</b>   | (10,708)   |
|                                     | <b>\$ 956,200</b> | \$ 918,219 |

## 9. *Commitment*

On April 20, 2011, the City entered into an agreement with VVNA Winnipeg Inc. ("Veolia") for the provision of expert advice to the City to assist with construction and operating improvements to the City's sewage treatment system (the "Program"). The agreement was effective May 1, 2011, and has a term of 30 years, subject to certain termination provisions.

The City's sewage treatment system treats and handles sewage and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Sewage Treatment Plants (the "Facilities"). Veolia's role will be to provide services to the City. Representatives of Veolia will work collaboratively with representatives of the City to provide advice and recommendations to the City with respect to the City's (i) management and operation of the Facilities for the handling and treatment of sewage, (ii) assessment, planning and delivery of upgrades and capital modifications to the Facilities, and (iii) assessment, planning and delivery of operational improvements to the Facilities during the term of this agreement. The Program will not include the City's supply of water or its waterworks system or work relating to the collection system or land drainage system.

Under the agreement, the City will: retain complete ownership of all the sewage system assets; continue to exercise control over the sewage treatment systems by means of the City Council budget approvals and by the setting of service quality standards that will be reported publicly on a regular basis; continue to control operating and maintenance parameters by which the sewage system shall operate; and retain full accountability for compliance with regulatory permits and licenses.

Decisions for the sewage treatment system will be made by the City based upon the best advice of City management and Veolia experts working together.

The agreement provides both parties with a variety of responsibilities, rights, protections, and obligations reflecting reasonable commercial terms.

## **9. *Commitment (continued)***

Compensation to Veolia under the agreement includes the following components:

1. Re-imbursement of Veolia's actual direct costs related to the Program ("Direct Costs");
2. An agreed upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost ("Fee");
3. For operations and capital projections under the Program, a target cost will be set. Veolia will receive a share of the savings when actual operating costs and/or capital costs are below target costs ("Gainshare"). Veolia will receive a share of expense when actual operating costs and/or capital costs are above target costs ("Painshare"); and
4. Key performance indicators ("KPIs") will be established under the Program. Veolia will earn amounts for exceeding established KPIs ("KPI earnings"), and will deducted amounts for failing to achieve minimum KPIs ("KPI Deductions").

The agreement only guarantees payment to Veolia in respect of the Direct Costs incurred in providing services (item number 1 above).

Amounts earned by Veolia over the term of the agreement (Fee, Gainshare, and KPI earnings) are credited to an Earning at Risk Account ("EARA"). Painshare and KPI deductions reduce the EARA. All of these amounts are not guaranteed to be paid to Veolia, and by their nature, are dependent on the financial and overall results of the Program.

Veolia's withdrawals of amounts from the EARA are subject to certain limits and security posting requirements.

If at the end of the 30-year term the EARA is negative, Veolia must repay the City this amount.

The agreement established a Performance Guarantee Security ("PGS"), which is a letter of credit and performance bond that together provide security to the City. At December 31, 2013, prepaid expenses include \$667 thousand on account of the City's payment of Direct Costs related to the PGS (2012 - \$867 thousand).

In addition to the PGS, Veolia is providing a Parental Guarantee by its parent company.

The Direct Costs are recorded at the time they became payable to Veolia. The fee amounts are recorded at the time Fee payments became due under the terms of the contract. If, in future periods, any of these Fee amounts so recorded would become receivable by the City as a result of the application of the Painshare or KPI deduction mechanisms, then the City's entitlement to these amounts would be recorded as a reduction of expenses or a reduction of the related capital asset at the time the events which caused the rebate occurred. The Gainshare, Painshare, KPI earnings, and KPI deductions are recorded at such time that they are determined. To the extent that there are Gainshare and/or KPI Earnings amounts that are subsequently repaid to the City, then these amounts would be recorded as a reduction of expenses or a reduction of the related capital asset at the time the events which caused the rebate occurred.

## **10. *Revenue***

The sewer rate for 2013 was \$2.15 per cubic meter (2012 - \$2.10). The Environmental Projects Reserve contribution for 2013 was 26.0 cents per cubic meter (2012 - 26.0 cents).

## **11. Taxes, Employee Benefits and Other**

### **Property taxes**

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2013, realty taxes paid and transferred to the General Revenue Fund were \$8.9 million (2012 - \$8.9 million).

### **Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2013 is \$1.2 million (2012 - \$1.2 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2013 is estimated at \$917 thousand (2012 - \$904 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2013 is estimated at \$0.5 million (2012 - \$0.5 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$1.8 million (2012 - \$1.7 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year \$1.3 million (2012 - \$1.2 million) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2012 and has disclosed an actuarial surplus.

### **General government charges**

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2013, this amounted to \$0.9 million (2012 - \$0.9 million) and was transferred to the General Revenue Fund.

### **Rent**

Included in expenses is \$1.2 million (2012 - \$1.1 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

### **Insurance and damage claims**

Included in expenses is \$831 thousand charged (2012 - \$36 thousand recoverable) from the Insurance Reserve.

## **12. Transfers to Other Funds**

The Sewage Disposal System, as approved through the annual operating budget, funds 100% of land drainage costs. In 2013, \$13.7 million (2012 - \$14.2 million) was contributed to the General Revenue Fund to support the land drainage program.

|   | <u>2013</u>      | <u>2012</u>      |
|---|------------------|------------------|
| Transfer to Environmental Projects Reserve      | \$ 15,986        | \$ 15,780        |
| Transfer to Sewer System Rehabilitation Reserve | 13,700           | 15,000           |
| Transfer to General Revenue Fund                | 13,694           | 14,198           |
| Transfer from General Capital Fund              | -                | (24)             |
|   | <u>\$ 43,380</u> | <u>\$ 44,954</u> |

## **13. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Sewage Disposal System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

Schedule 1

## REVENUES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
| <b>Sewer services</b>                          | <b>\$ 143,417</b>      | <b>\$ 138,904</b>      | <b>\$ 136,601</b>      |
| <b>Government transfers, permits and other</b> |                        |                        |                        |
| Industrial waste surcharges                    | 2,750                  | 3,085                  | 2,777                  |
| Hauled waste                                   | 1,820                  | 1,980                  | 1,793                  |
| Provincial transfers                           | 1,848                  | 890                    | 803                    |
| Other  | 528                    | 600                    | 670                    |
| Permits and fees                               | 240                    | 338                    | 350                    |
|  | <b>7,186</b>           | <b>6,893</b>           | <b>6,393</b>           |
| <b>Interest</b>                                |                        |                        |                        |
| Sinking Fund earnings                          | 1,822                  | 1,822                  | 3,313                  |
| Interest                                       | 400                    | 681                    | 708                    |
| Capitalized                                    | 200                    | 51                     | 97                     |
|  | <b>2,422</b>           | <b>2,554</b>           | <b>4,118</b>           |
| <b>Total Revenues</b>                          | <b>\$ 153,025</b>      | <b>\$ 148,351</b>      | <b>\$ 147,112</b>      |

# THE CITY OF WINNIPEG

## SEWAGE DISPOSAL SYSTEM

Schedule 2

### EXPENSES

*For the years ended December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | 2013<br>Budget | 2013<br>Actual | 2012<br>Actual |
|---|----------------|----------------|----------------|
| <b>Collection, interception and treatment</b> |                |                |                |
| North end sewage treatment plant              | \$ 13,301      | \$ 13,539      | \$ 13,085      |
| Local sewer                                   | 6,448          | 6,338          | 5,766          |
| South end sewage treatment plant              | 3,803          | 3,788          | 4,030          |
| Sludge disposal                               | 3,484          | 2,859          | 2,921          |
| Interception system                           | 2,960          | 2,720          | 2,204          |
| Administration                                | 2,108          | 2,364          | 2,401          |
| Electrical maintenance/instrumentation        | 2,141          | 2,305          | 1,829          |
| Mechanical maintenance                        | 2,412          | 2,056          | 2,154          |
| West end sewage treatment plant               | 2,451          | 1,944          | 2,139          |
| Civil maintenance                             | 1,202          | 1,001          | 1,059          |
| Process control                               | 640            | 608            | 715            |
|   | <b>40,950</b>  | <b>39,522</b>  | <b>38,303</b>  |
| <b>Taxes, employee benefits and other</b>     |                |                |                |
| Property taxes                                | 8,920          | 8,891          | 8,936          |
| Miscellaneous                                 | 1,581          | 1,805          | 1,845          |
| Rent  | 1,260          | 1,243          | 1,110          |
| General government charges                    | 904            | 904            | 919            |
| Employee benefits                             | 482            | 429            | 302            |
| Insurance and claims                          | 380            | 426            | 554            |
| Provincial payroll tax                        | 363            | 319            | 299            |
| Recoveries                                    | (1,100)        | (1,238)        | (492)          |
|   | <b>12,790</b>  | <b>12,779</b>  | <b>13,473</b>  |
| <b>Engineering services</b>                   |                |                |                |
| Sewer connections                             | 4,130          | 2,502          | 1,656          |
| Wastewater planning                           | 1,902          | 1,441          | 1,215          |
| Administrative services                       | 452            | 592            | 463            |
| Drafting and graphic                          | 570            | 539            | 555            |
| Design and construction                       | 711            | 530            | 530            |
| Customer technical services                   | 416            | 367            | 317            |
| Asset management                              | 230            | 261            | 231            |
| Engineering services development              | 164            | 151            | 143            |
| Land drainage and flood planning              | 50             | 50             | 50             |
|   | <b>8,625</b>   | <b>6,433</b>   | <b>5,160</b>   |
| <b>Debt and finance</b>                       |                |                |                |
| Long-term debt interest                       | 3,249          | 3,244          | 6,662          |
| Finance charges                               | 5,749          | 9              | 6              |
|   | <b>8,998</b>   | <b>3,253</b>   | <b>6,668</b>   |

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

Schedule 2

## EXPENSES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|   | 2013<br>Budget | 2013<br>Actual | 2012<br>Actual |
|---|----------------|----------------|----------------|
| <b>Finance and administration</b>         |                |                |                |
| Customer accounts                         | 2,282          | 2,222          | 2,098          |
| Financial services                        | 306            | 331            | 260            |
| Administrative services                   | 630            | 272            | 509            |
| Financial planning                        | 271            | 204            | 261            |
| Rates / business analysis                 | 138            | 137            | 103            |
|   | <b>3,627</b>   | <b>3,166</b>   | 3,231          |
| <b>Environmental standards</b>            |                |                |                |
| Analysis                                  | 1,476          | 1,312          | 1,296          |
| Industrial waste                          | 680            | 609            | 595            |
| Administration                            | 272            | 254            | 227            |
| Compliance                                | 81             | 92             | 93             |
|   | <b>2,509</b>   | <b>2,267</b>   | 2,211          |
| <b>Information systems and technology</b> |                |                |                |
| Major systems                             | 1,213          | 1,266          | 906            |
| Support services                          | 908            | 656            | 634            |
|   | <b>2,121</b>   | <b>1,922</b>   | 1,540          |
| <b>Customer services</b>                  |                |                |                |
| Customer relations                        | 1,015          | 816            | 896            |
| Administration                            | 55             | 48             | 44             |
| Communications                            | 12             | 16             | 14             |
| Public consultation                       | 6              | -              | -              |
|   | <b>1,088</b>   | <b>880</b>     | 954            |
| <b>Human resources</b>                    |                |                |                |
| Human resources                           | 162            | 384            | 314            |
| Timekeeping and payroll                   | 71             | 172            | 165            |
| Work place health and safety              | 58             | 146            | 125            |
| Human resources training                  | 76             | 112            | 142            |
|   | <b>367</b>     | <b>814</b>     | 746            |
| <b>Total Expenses from Operations</b>     | <b>81,075</b>  | <b>71,036</b>  | 72,286         |

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

Schedule 2

## EXPENSES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|   | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | 2012<br>Actual    |
|---|------------------------|------------------------|-------------------|
| <b>Transfers to other funds (Note 12)</b>       |                        |                        |                   |
| Transfer to Environmental Projects Reserve      | <b>16,649</b>          | <b>15,985</b>          | 15,780            |
| Transfer to Sewer System Rehabilitation Reserve | <b>13,700</b>          | <b>13,700</b>          | 15,000            |
| Transfer to General Revenue Fund                | <b>14,293</b>          | <b>13,694</b>          | 14,198            |
| Transfer (from)/to General Capital Fund         |                        |                        | (24)              |
|   | <b>44,642</b>          | <b>43,379</b>          | 44,954            |
| <b>Total Expenses</b>                           | <b>\$ 125,717</b>      | <b>\$ 114,415</b>      | <b>\$ 117,240</b> |



# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## Schedule 3

### EXPENSES BY OBJECT

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|                            | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|----------------------------|------------------------|------------------------|------------------------|
| Transfers to other funds   | \$ 44,642              | \$ 43,379              | \$ 44,954              |
| Goods and services         | 45,545                 | 41,421                 | 40,408                 |
| Salaries                   | 16,874                 | 15,073                 | 14,233                 |
| Other expenses             | 11,921                 | 12,772                 | 11,491                 |
| Interest on long-term debt | 3,249                  | 3,244                  | 6,662                  |
| Employee benefits          | 3,185                  | 3,025                  | 2,951                  |
| Finance charges            | 5,749                  | 9                      | 6                      |
| Recoveries                 | (5,448)                | (4,508)                | (3,465)                |
| <b>Total Expenses</b>      | <b>\$ 125,717</b>      | <b>\$ 114,415</b>      | <b>\$ 117,240</b>      |

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

Schedule 4

## NET SURPLUS FROM CAPITAL

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <b>2013</b><br><b>Actual</b> | 2012<br>Actual   |
|---|------------------------------|------------------|
| <b>Revenues</b>                                   |                              |                  |
| Transfer from Sewer System Rehabilitation Reserve | \$ 16,811                    | \$ 13,676        |
| Transfer from Environmental Projects Reserve      | 7,991                        | 2,732            |
| Provincial and Federal capital transfers          | 111                          | 6,600            |
| Transfer from Waterworks System                   | 14                           | 282              |
|   | <b>24,927</b>                | 23,290           |
| Developer contributions-in-kind                   | <b>12,480</b>                | 15,135           |
|   | <b>37,407</b>                | 38,425           |
| <b>Expenses</b>                                   |                              |                  |
| Amortization                                      | 20,429                       | 19,830           |
| Capital maintenance                               | 1,280                        | 3,094            |
| Loss on disposal of tangible capital assets       | 97                           | 815              |
| Transfer to Waterworks System                     | 83                           | 365              |
|   | <b>21,889</b>                | 24,104           |
| <b>Net surplus from capital</b>                   | <b>\$ 15,518</b>             | <b>\$ 14,321</b> |

# THE CITY OF WINNIPEG

## SEWAGE DISPOSAL SYSTEM

### SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|  | <b>General</b>  |                  |                  |                                   |
|--|-----------------|------------------|------------------|-----------------------------------|
|  | <u>Land</u>     | <u>Buildings</u> | <u>Equipment</u> | <u>Information<br/>Technology</u> |
| <b>Cost</b>  |                 |                  |                  |                                   |
| Balance, beginning of year                           | \$ 1,438        | \$ 988           | \$ 400           | \$ 227                            |
| Add: Additions during the year                       | -               | 1                | -                | -                                 |
| Less: Disposals during the year                      | -               | -                | -                | -                                 |
| Balance, end of year                                 | <u>1,438</u>    | <u>989</u>       | <u>400</u>       | <u>227</u>                        |
| <b>Accumulated amortization</b>                      |                 |                  |                  |                                   |
| Balance, beginning of year                           | -               | 593              | 180              | 98                                |
| Add: Amortization                                    | -               | 11               | 40               | 22                                |
| Less: Accumulated amortization<br>on disposals       | -               | -                | -                | -                                 |
| Balance, end of year                                 | <u>-</u>        | <u>604</u>       | <u>220</u>       | <u>120</u>                        |
| <b>Net Book Value of Tangible<br/>Capital Assets</b> | <u>\$ 1,438</u> | <u>\$ 385</u>    | <u>\$ 180</u>    | <u>\$ 107</u>                     |

## Schedule 5

| Infrastructure          |  |                                 | Totals       |              |
|-------------------------|--|---------------------------------|--------------|--------------|
| Underground<br>Networks | Sewage<br>Treatment<br>Plants and<br>Lift Stations | Assets<br>Under<br>Construction | 2013         | 2012         |
| \$ 890,769              | \$ 402,285   | \$ 18,574                       | \$ 1,314,681 | \$ 1,275,362 |
| 34,649                  | 5,446  | 12,645                          | 52,741       | 41,838       |
| (470)                   | -  | -                               | (470)        | (2,519)      |
| 924,948                 | 407,731  | 31,219                          | 1,366,952    | 1,314,681    |
| 323,396                 | 155,098  |                                 | 479,365      | 461,238      |
| 12,290                  | 8,066  |                                 | 20,429       | 19,830       |
| (373)                   | -  |                                 | (373)        | (1,704)      |
| 335,313                 | 163,164  | -                               | 499,421      | 479,364      |
| \$ 589,635              | \$ 244,567   | \$ 31,219                       | \$ 867,531   | \$ 835,317   |

## **THE CITY OF WINNIPEG SOLID WASTE DISPOSAL**

The Water and Waste Department ("Department") is committed to providing and improving services for drinking water, wastewater, land drainage and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The Solid Waste Disposal Fund was established in 1992 to create a self-supporting utility.

The objective of the Solid Waste Disposal Fund ("Fund") is to provide facilities for the receiving and disposal of solid waste generated in the City to protect the public health and the environment. The Department is responsible for the planning and monitoring of the City's closed landfill facilities, the operation of the Brady Road landfill site and the City's waste minimization programs. In addition, the Fund's budget provides funding for Take Pride Winnipeg, debt charges, employee benefits, taxes and transfers to the Waste Diversion and to the Brady Landfill Rehabilitation Reserves.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated landfills in the capital region. The commercial tipping fee is \$43.50 per tonne. Commercial tonnage coming to Brady Road landfill has decreased approximately 3.5% from 2012, as the city has received less dead stock. The amount of commercial waste at Brady Road is estimated to be received from Falcon Lake and Hecla Island Provincial Parks and the Rural Municipality of Springfield and MacDonald.

Waste minimization programs include multi-material residential recycling for 190,000 single-family and 105,000 multi-family residences, depot recycling, "Let's Chip-In" (Christmas tree recycling), curbside yard waste collection, back yard composting and public information/education programs.

The revenues from the recycling programs are comprised of support payments received from the Multi Material Stewardship Manitoba and the sale of recyclables. In 2013, the City realized \$8.2 million in revenue (2012 - \$8.1 million) from recycling.

In 2009, the Province of Manitoba introduced the Provincial Waste Reduction and Recycling Support initiative. Under this program, a levy is collected based on the volume of waste disposed at landfills within Manitoba. The levy is set at \$10 per tonne on residential, commercial and small loads. The total levy collected throughout the province is granted to municipalities based on their share of total recycling throughout the province.

In 2011, City Council approved the Comprehensive Integrated Waste Management Strategy with the objective of achieving a greater than 50% diversion rate through implementation of various short and long-term initiatives commencing in 2012. Enhancements which included the completion of the City-wide roll out of the automated cart system for garbage collection, the move from a five day collection schedule to a weekly collection calendar and curbside yard waste collection, became effective October 1, 2012.

The impact in the first full year of the implementation of the new strategy saw single family residential waste tonnage reduced by 21%, recycling tonnage increase by 11% and compostable yard waste tonnage increase by 105%.

# THE CITY OF WINNIPEG

## SOLID WASTE DISPOSAL

### FIVE-YEAR REVIEW

December 31

(unaudited)

|                                   | <u>2013</u>           | <u>2012</u>    | <u>2011</u>    | <u>2010</u>    | <u>2009</u>    |
|-----------------------------------|-----------------------|----------------|----------------|----------------|----------------|
| <b>Solid Waste (tonnes)</b>       |                       |                |                |                |                |
| Single family residential         | <b>120,287</b>        | 153,128        | 163,923        | 176,215        | 185,587        |
| Multi-family and small commercial | <b>53,610</b>         | 48,606         | 46,292         | 46,571         | 45,330         |
| Large commercial / industrial     | <b>101,584</b>        | 105,334        | 87,520         | 84,515         | 95,359         |
| Other (1)                         | <b>117,990</b>        | 119,170        | 146,678        | 101,775        | 99,172         |
| Charitable organization           | <b>2,663</b>          | 3,050          | 2,351          | 2,067          | 1,907          |
| Total landfill tonnage            | <b><u>396,134</u></b> | <u>429,288</u> | <u>446,764</u> | <u>411,143</u> | <u>427,355</u> |
| Residential small loads           |                       |                |                |                |                |
| Number of loads                   | <b><u>93,506</u></b>  | <u>93,585</u>  | <u>96,661</u>  | <u>112,073</u> | <u>104,726</u> |
| Compostable Yard Waste            |                       |                |                |                |                |
| Total tonnage                     | <b><u>23,223</u></b>  | <u>11,327</u>  | <u>7,778</u>   | <u>7,157</u>   | <u>5,673</u>   |
| Recyclables (tonnes)              |                       |                |                |                |                |
| Blue cart                         | <b>48,410</b>         | 38,992         | 35,596         | 36,434         | 34,841         |
| Depots/apartments                 | <b>5,247</b>          | 9,141          | 10,235         | 10,494         | 9,534          |
| Total recyclables                 | <b><u>53,657</u></b>  | <u>48,133</u>  | <u>45,831</u>  | <u>46,928</u>  | <u>44,375</u>  |

(1) Includes tonnage for small load on an estimated weight of 500kg per load entering the landfill.

# THE CITY OF WINNIPEG

## SOLID WASTE DISPOSAL

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|   | <u>2013</u>             | <u>2012</u>             |
|---|-------------------------|-------------------------|
| <b>ASSETS</b>                                     |                         |                         |
| Current   |                         |                         |
| Cash  | \$ 181                  | \$ 175                  |
| Due from General Revenue Fund (Note 3)            | 2,168                   | 6,403                   |
| Accounts receivable (Note 4)                      | 7,147                   | 8,413                   |
|   | <u>9,496</u>            | 14,991                  |
| Tangible capital assets (Note 5)                  | <u>24,137</u>           | 16,892                  |
|   | <u><u>\$ 33,633</u></u> | <u><u>\$ 31,883</u></u> |
| <b>LIABILITIES</b>                                |                         |                         |
| Current   |                         |                         |
| Accounts payable and accrued liabilities (Note 6) | \$ 6,874                | \$ 5,247                |
| Current portion of long-term debt (Note 7)        | 1,367                   | 1,332                   |
|   | <u>8,241</u>            | 6,579                   |
| Long-term debt (Note 7)                           | <u>10,284</u>           | 11,693                  |
|   | 18,525                  | 18,272                  |
| <b>ACCUMULATED SURPLUS (Note 8)</b>               | <u>15,108</u>           | 13,611                  |
|   | <u><u>\$ 33,633</u></u> | <u><u>\$ 31,883</u></u> |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG

## SOLID WASTE DISPOSAL

### STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
| <b><i>REVENUES (Schedule 1)</i></b>                    |                        |                        |                        |
| Sales of services and regulatory fees                  | \$ 31,003              | \$ 27,676              | \$ 20,949              |
| Government transfers and other                         | 4,564                  | 4,707                  | 5,023                  |
| Interest   | 86                     | 300                    | 127                    |
| Total revenues   | <b>35,653</b>          | <b>32,683</b>          | 26,099                 |
| <b><i>EXPENSES (Schedules 2 and 3)</i></b>             |                        |                        |                        |
| Solid waste operations                                 | 29,858                 | 28,391                 | 21,001                 |
| Debt and finance                                       | 2,159                  | 415                    | 136                    |
| Employee benefits, taxes and other (Note 9)            | 283                    | 210                    | 240                    |
| Total expenses from operations                         | <b>32,300</b>          | <b>29,016</b>          | 21,377                 |
| Surplus for the year from operations                   | <b>3,353</b>           | <b>3,667</b>           | 4,722                  |
| Transfers to other funds (Note 10)                     | <b>2,998</b>           | <b>1,798</b>           | 1,010                  |
| Surplus from operations after transfers to other funds | <b>355</b>             | <b>1,869</b>           | 3,712                  |
| Net surplus (deficit) from capital (Schedule 4)        | -                      | (372)                  | 482                    |
| Net surplus for the year                               | <b>\$ 355</b>          | <b>1,497</b>           | 4,194                  |
| <b><i>ACCUMULATED SURPLUS, BEGINNING OF YEAR</i></b>   |                        | <b>13,611</b>          | 9,417                  |
| <b><i>ACCUMULATED SURPLUS, END OF YEAR</i></b>         |                        | <b>\$ 15,108</b>       | \$ 13,611              |

*See accompanying notes and schedules to the financial statements*



# THE CITY OF WINNIPEG

## SOLID WASTE DISPOSAL

### STATEMENT OF CASH FLOWS

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <u>2013</u>          | <u>2012</u>          |
|---|----------------------|----------------------|
| <b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>                                   |                      |                      |
| <b><i>OPERATING</i></b>   |                      |                      |
| Net surplus for the year  | \$ 1,497             | \$ 4,194             |
| Non-cash items related to operations  |                      |                      |
| Amortization  | <u>1,329</u>         | <u>618</u>           |
| Working capital from operations   | 2,826                | 4,812                |
| Change in net working capital other than cash   | <u>2,893</u>         | <u>2,225</u>         |
|   | <u>5,719</u>         | <u>7,037</u>         |
| <b><i>FINANCING</i></b>   |                      |                      |
| Proceeds from loan  | -                    | 13,000               |
| Repayment of loan   | (1,302)              | (169)                |
| Due from/to General Revenue Fund  | 4,235                | (7,189)              |
| Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees") | (41)                 | (38)                 |
| Payments to The Sinking Fund Trustees for outstanding debt  | <u>(31)</u>          | <u>(30)</u>          |
|   | <u>2,861</u>         | <u>5,574</u>         |
| <b><i>INVESTING</i></b>   |                      |                      |
| Purchase of tangible capital assets   | <u>(8,574)</u>       | <u>(12,560)</u>      |
| Increase in cash  | 6                    | 51                   |
| Cash position, beginning of year  | <u>175</u>           | <u>124</u>           |
| Cash position, end of year  | <u><u>\$ 181</u></u> | <u><u>\$ 175</u></u> |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG

## SOLID WASTE DISPOSAL

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

(unaudited)

#### 1. *Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

##### **Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay with the following exception:

The operations are accounted for on the accrual basis except for vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

##### **a) Tangible capital assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

|                         |                 |
|-------------------------|-----------------|
| Land improvements       | 10 to 100 years |
| Machinery and equipment | 10 to 20 years  |
| Information technology  | 5 to 10 years   |

Assets under construction are not amortized until the asset is available for productive use.

##### **b) Brady Landfill Rehabilitation Reserve**

City Council on December 17th, 1993, in accordance with Sections 338 (1) and (2) of the former City of Winnipeg Act, established the Reserve to provide funding, over time, for the future rehabilitation of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The transfer is based on 50 cents per tonne of the tipping fee charged at the Brady Landfill Site. The Director of the Water and Waste department is the Fund Manager.

##### **c) Waste Diversion Reserve**

On October 19, 2011, City Council approved the establishment of the Waste Diversion Reserve Fund for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion services user fee. The first transfer to the reserve occurred in 2013.

The Director of Water and Waste is the Fund Manager.

## 1. Significant Accounting Policies (continued)

### d) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

## 2. Status of the Solid Waste Disposal Fund

On March 23, 1992, City Council adopted a motion establishing the Solid Waste Disposal Fund ("Utility") as a separate fund within The City of Winnipeg's ("City") financial records. Upon establishment of this Utility, the capital assets, work in progress and related debt were transferred to this Utility from the General Capital Fund. The Utility is self-supporting and is primarily funded by landfill tipping fees. The purpose of the Fund is to improve the cost accountability of the solid waste management system and to establish a financial structure to accommodate long-term planning and financing of solid waste management programs.

## 3. Due from/to General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).

## 4. Accounts Receivable

|   | 2013            | 2012            |
|---|-----------------|-----------------|
| Landfill tipping, recycling and waste diversion | \$ 7,353        | \$ 8,606        |
| Allowance for doubtful accounts                 | (206)           | (193)           |
|   | <u>\$ 7,147</u> | <u>\$ 8,413</u> |

## 5. Tangible Capital Assets

|                           | 2013             | Net Book Value<br>2012 |
|---------------------------|------------------|------------------------|
| Land                      | \$ 541           | \$ 541                 |
| Land improvements         | 10,273           | 682                    |
| Machinery and equipment   | 10,502           | 11,457                 |
| Information technology    | 43               | 53                     |
|                           | <u>21,359</u>    | <u>12,733</u>          |
| Assets under construction | <u>2,778</u>     | <u>4,159</u>           |
|                           | <u>\$ 24,137</u> | <u>\$ 16,892</u>       |

## 5. *Tangible Capital Assets (continued)*

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During the year, there were no write-downs of tangible capital assets (2012 - \$nil). Interim financing charges capitalized during 2013 were \$166 thousand (2012 - \$68 thousand).

## 6. *Accounts Payable and Accrued Liabilities*

|  | <b>2013</b>     | 2012            |
|--|-----------------|-----------------|
| Trade accounts payable                     | \$ 4,752        | \$ 2,894        |
| Waste Reduction and Recycling Support Levy | 2,052           | 2,110           |
| Other accrued liabilities                  | 58              | 231             |
| Accrued debenture interest payable         | 12              | 12              |
|  | <b>\$ 6,874</b> | <b>\$ 5,247</b> |

## 7. *Long-Term Debt*

### **Sinking fund debentures outstanding**

| Term                                    | Maturity Date | Rate of Interest | Series | By-Law No. | <b>2013</b>  | 2012     |
|---|---------------|------------------|--------|------------|--------------|----------|
| 1995-2015                               | May 12        | 9.125            | VR     | 6620/95    | \$ 1,000     | \$ 1,000 |
| Equity in Sinking Fund (Note 7b)        |               |                  |        |            | <b>(878)</b> | (806)    |
| Net sinking fund debentures outstanding |               |                  |        |            | <b>122</b>   | 194      |

### **Other debt outstanding**

TD Commercial Bank loan with a maturity date of November 13, 2021 and an interest rate of 2.63%

|                               |                  |                  |
|-------------------------------|------------------|------------------|
|                               | <b>11,529</b>    | 12,831           |
|                               | <b>11,651</b>    | 13,025           |
| Current portion of debentures | <b>(30)</b>      | (30)             |
| Current portion of loan       | <b>(1,337)</b>   | (1,302)          |
|                               | <b>(1,367)</b>   | (1,332)          |
|                               | <b>\$ 10,284</b> | <b>\$ 11,693</b> |

Principal retirement on long-term debt over the next five years is as follows:

|                         | 2014            | 2015            | 2016            | 2017            | 2018            | 2019 and<br>Thereafter |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------------|
| Sinking fund debentures | \$ -            | \$ 1,000        | \$ -            | \$ -            | \$ -            | \$ -                   |
| Other debt              | 1,337           | 1,372           | 1,408           | 1,446           | 1,485           | 4,481                  |
|                         | <b>\$ 1,337</b> | <b>\$ 2,372</b> | <b>\$ 1,408</b> | <b>\$ 1,446</b> | <b>\$ 1,485</b> | <b>\$ 4,481</b>        |

## 7. Long-Term Debt (continued)

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City of Winnipeg Solid Waste Disposal is currently paying three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) Cash paid for interest during the year was \$0.4 million (2012 - \$0.1 million).

## 8. Accumulated Surplus

|                                     | 2013             | 2012          |
|-------------------------------------|------------------|---------------|
| Invested in tangible capital assets | \$ 8,465         | \$ 5,577      |
| Retained earnings                   | 6,643            | 8,034         |
|                                     | <u>\$ 15,108</u> | <u>13,611</u> |

## 9. Employee Benefits, Taxes and Other

### Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2013 is \$0.19 million (2012 - \$0.18 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2013 is estimated at \$96 thousand (2012 - \$189 thousand).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$287 thousand (2012 - \$231 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2013 at \$48 thousand (2012 - \$51 thousand).

Solid Waste employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During 2013, \$220 thousand (2012 - \$175 thousand) of pension costs were allocated to Solid Waste. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2012 and has an actuarial surplus.

## **9. Employee Benefits, Taxes and Other (continued)**

### **General Government charges**

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2013 this amounted to \$135 thousand (2012 - \$134 thousand) and was transferred to the General Revenue Fund.

### **Property taxes**

Property taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. In 2013, the amount incurred was \$15 thousand (2012 - \$16 thousand).

### **Insurance and damage claims**

The Solid Waste Disposal Fund was charged \$15 thousand (2012 - \$20 thousand) by the Insurance Reserve Fund.

## **10. Transfers to Other Funds**

|   | <u>2013</u>     | <u>2012</u>     |
|---|-----------------|-----------------|
| Transfer to Waste Diversion Reserve               | \$ 1,625        | \$ -            |
| Transfer to Brady Landfill Rehabilitation Reserve | 173             | 200             |
| Transfer to General Revenue Fund                  | -               | 810             |
|   | <u>\$ 1,798</u> | <u>\$ 1,010</u> |

Included in various expense categories is an amount of \$203 thousand (2012 - \$120 thousand) that has been charged by the Municipal Accommodations Fund for the rental of office space.

## **11. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Solid Waste Disposal's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

# THE CITY OF WINNIPEG SOLID WASTE DISPOSAL

## Schedule 1

### REVENUES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|  | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
| <b>Sales of services and regulatory fees</b> |                        |                        |                        |
| Waste diversion user fee                     | \$ 9,421               | \$ 9,719               | \$ 2,355               |
| Landfill tipping fees                        | 8,863                  | 9,193                  | 9,956                  |
| Recycling                                    | 12,119                 | 8,168                  | 8,110                  |
| Small load fees                              | 600                    | 596                    | 528                    |
|  | <b>31,003</b>          | <b>27,676</b>          | 20,949                 |
| <b>Government transfers and other</b>        |                        |                        |                        |
| Waste reduction support                      | 4,500                  | 4,636                  | 4,970                  |
| Provincial support                           | 64                     | 71                     | 53                     |
|  | <b>4,564</b>           | <b>4,707</b>           | 5,023                  |
| <b>Interest</b>                              |                        |                        |                        |
| Interest capitalized                         | 15                     | 166                    | 68                     |
| Late payment charges                         | 20                     | 56                     | 22                     |
| Sinking Fund earnings                        | 41                     | 41                     | 38                     |
| Interest                                     | 10                     | 37                     | (1)                    |
|  | <b>86</b>              | <b>300</b>             | 127                    |
| <b>Total Revenues</b>                        | <b>\$ 35,653</b>       | <b>\$ 32,683</b>       | <b>\$ 26,099</b>       |

# THE CITY OF WINNIPEG

## SOLID WASTE DISPOSAL

Schedule 2

### EXPENSES

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|   | 2013<br>Budget   | 2013<br>Actual   | 2012<br>Actual |
|---|------------------|------------------|----------------|
| <b>Solid waste operations</b>                     |                  |                  |                |
| Recycling   | \$ 15,989        | \$ 15,405        | \$ 11,296      |
| Brady Road Resource Management Facility           | 8,335            | 8,105            | 6,965          |
| Waste minimization                                | 3,716            | 2,958            | 1,149          |
| Landfill and environmental                        | 1,456            | 1,351            | 1,151          |
| Take Pride Winnipeg                               | 169              | 228              | 240            |
| Administration                                    | 193              | 344              | 200            |
|   | <b>29,858</b>    | <b>28,391</b>    | 21,001         |
| <b>Employee benefits, taxes and other</b>         |                  |                  |                |
| General government charges                        | 135              | 135              | 134            |
| Provincial payroll tax                            | 93               | 72               | 71             |
| Employee benefits                                 | 116              | 64               | 89             |
| Insurance and damage claims                       | 29               | 29               | 35             |
| Property taxes                                    | 15               | 15               | 16             |
| Departmental recoveries                           | (105)            | (105)            | (105)          |
|   | <b>283</b>       | <b>210</b>       | 240            |
| <b>Debt and finance</b>                           |                  |                  |                |
| Interest on long-term debt                        | 639              | 415              | 136            |
| Amortization                                      | 1,520            | -                | -              |
|   | <b>2,159</b>     | <b>415</b>       | 136            |
| <b>Total Expenses from Operations</b>             | <b>32,300</b>    | <b>29,016</b>    | 21,377         |
| <b>Transfers to other funds (Note 10)</b>         |                  |                  |                |
| Transfer to Waste Diversion Reserve               | 2,820            | 1,625            | -              |
| Transfer to Brady Landfill Rehabilitation Reserve | 178              | 173              | 200            |
| Transfer to General Revenue Fund                  | -                | -                | 810            |
|   | <b>2,998</b>     | <b>1,798</b>     | 1,010          |
| <b>Total Expenses</b>                             | <b>\$ 35,298</b> | <b>\$ 30,814</b> | \$ 22,387      |



# THE CITY OF WINNIPEG SOLID WASTE DISPOSAL

## Schedule 3

### EXPENSES BY OBJECT

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|                            | <b>2013<br/>Budget</b> | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|----------------------------|------------------------|------------------------|------------------------|
| Goods and services         | \$ 25,846              | \$ 24,822              | \$ 17,819              |
| Salaries                   | 3,312                  | 2,820                  | 2,550                  |
| Transfers                  | 2,998                  | 1,798                  | 1,010                  |
| Other expenses             | 1,991                  | 638                    | 482                    |
| Employee benefits          | 705                    | 530                    | 542                    |
| Interest on long-term debt | 634                    | 415                    | 136                    |
| Finance charges            | 68                     | 56                     | 56                     |
| Recoveries                 | (256)                  | (265)                  | (208)                  |
| <b>Total Expenses</b>      | <b>\$ 35,298</b>       | <b>\$ 30,814</b>       | <b>\$ 22,387</b>       |

**THE CITY OF WINNIPEG  
SOLID WASTE DISPOSAL**

**Schedule 4**

**SURPLUS (DEFICIT) FROM CAPITAL**

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <b>2013<br/>Actual</b> | <b>2012<br/>Actual</b> |
|---|------------------------|------------------------|
| <b>Revenues</b>                               |                        |                        |
| Provincial capital transfers                  | \$ 840                 | \$ 1,710               |
| Transfer from Waste Diversion Reserve Fund    | 673                    | -                      |
| <b>Total revenues from capital</b>            | <b>1,513</b>           | <b>1,710</b>           |
| <b>Expenses</b>                               |                        |                        |
| Amortization                                  | 1,328                  | 618                    |
| Capital - capital studies and other equipment | 317                    | 324                    |
| Capital maintenance                           | 240                    | 286                    |
| <b>Total expenses from capital</b>            | <b>1,885</b>           | <b>1,228</b>           |
| <b>Net surplus (deficit) from capital</b>     | <b>\$ (372)</b>        | <b>\$ 482</b>          |

# THE CITY OF WINNIPEG

## SOLID WASTE DISPOSAL

### SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

|  | <b>General</b> |                              |                  |  |
|--|----------------|------------------------------|------------------|--|
|  | <b>Land</b>    | <b>Land<br/>Improvements</b> | <b>Buildings</b> | <b>Machinery<br/>and<br/>Equipment</b> |
| <b>Cost</b>  |                |                              |                  |  |
| Balance, beginning of year                           | \$ 541         | \$ 3,832                     | \$ 273           | \$ 13,468                              |
| Add: Additions (completions)<br>during the year      | -              | 9,863                        | -                | 92                                     |
| Balance, end of year                                 | 541            | 13,695                       | 273              | 13,560                                 |
| <b>Accumulated amortization</b>                      |                |                              |                  |  |
| Balance, beginning of year                           | -              | 3,150                        | 273              | 2,011                                  |
| Add: Amortization                                    | -              | 272                          | -                | 1,047                                  |
| Balance, end of year                                 | -              | 3,422                        | 273              | 3,058                                  |
| <b>Net Book Value of Tangible<br/>Capital Assets</b> | <b>\$ 541</b>  | <b>\$ 10,273</b>             | <b>\$ -</b>      | <b>\$ 10,502</b>                       |

Schedule 5

|                           |                                 | Totals    |           |
|---------------------------|---------------------------------|-----------|-----------|
| Information<br>Technology | Assets<br>Under<br>Construction | 2013      | 2012      |
| \$ 93                     | \$ 4,159                        | \$ 22,366 | \$ 9,806  |
| -                         | (1,381)                         | 8,574     | 12,560    |
| 93                        | 2,778                           | 30,940    | 22,366    |
| 40                        | -                               | 5,474     | 4,856     |
| 10                        | -                               | 1,329     | 618       |
| 50                        | -                               | 6,803     | 5,474     |
| \$ 43                     | \$ 2,778                        | \$ 24,137 | \$ 16,892 |





2013 SPECIAL OPERATING AGENCIES



DETAILED FINANCIAL STATEMENTS

**THE CITY OF WINNIPEG**  
**ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

**STATEMENT OF FINANCIAL POSITION**

*As at December 31*

|   | <b>2013</b>         | 2012                  |
|---|---------------------|-----------------------|
| <b>FINANCIAL ASSETS</b>                                       |                     |                       |
| Cash  | \$ 4,428            | \$ 13,640             |
| Accounts receivable (Note 3)                                  | 52,080              | 69,055                |
| Due from the City of Winnipeg - General Revenue Fund (Note 4) | 734,137             | 226,152               |
|   | <b>790,645</b>      | 308,847               |
| <b>LIABILITIES</b>  |                     |                       |
| Accounts payable and accrued liabilities                      | 82,926              | 98,070                |
| Deferred revenue  | 1,013,730           | 1,145,478             |
| Vacation and overtime payable                                 | 90,313              | 94,377                |
| Retirement allowances and compensated absences (Note 5a)      | 94,000              | 81,000                |
|   | <b>1,280,969</b>    | 1,418,925             |
| <b>NET FINANCIAL LIABILITIES</b>                              | <b>(490,324)</b>    | (1,110,078)           |
| <b>NON-FINANCIAL ASSETS</b>                                   |                     |                       |
| Tangible capital assets (Note 6)                              | 50,527              | 46,229                |
| Inventories   | 4,070               | 9,779                 |
| Prepaid expenses  | 39,577              | 39,115                |
|   | <b>94,174</b>       | 95,123                |
| <b>ACCUMULATED DEFICIT</b>                                    | <b>\$ (396,150)</b> | <b>\$ (1,014,955)</b> |
| Commitments (Note 8)  |                     |                       |

*See accompanying notes and schedule to the financial statements*

**THE CITY OF WINNIPEG**  
**ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

**STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT**

*For the years ended December 31*

|  | <b>Budget<br/>2013<br/>(unaudited)</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|--|--|------------------------|------------------------|
| <b>REVENUES</b>                                      |  |                        |                        |
| Regulation fees                                      | \$ 1,763,265                           | \$ 1,903,130           | \$ 1,896,231           |
| Transfer (Note 9)                                    | 1,404,276                              | 1,404,276              | 1,302,504              |
| Sales of goods and services                          | 123,100                                | 82,078                 | 110,900                |
| Other revenue  | 13,000                                 | 42,958                 | 35,161                 |
| Government transfers                                 | 25,075                                 | 25,373                 | 25,218                 |
| <b>Total Revenues</b>                                | <b>3,328,716</b>                       | <b>3,457,815</b>       | <b>3,370,014</b>       |
| <b>EXPENSES</b>                                      |  |                        |                        |
| Salaries and employee benefits                       | 1,592,931                              | 1,425,429              | 1,441,480              |
| Grants, transfers and other                          | 532,165                                | 518,175                | 506,285                |
| Services (Note 10)                                   | 386,765                                | 372,869                | 388,452                |
| Rent (Note 10)                                       | 211,564                                | 211,564                | 211,439                |
| Administrative expenses (Note 10)                    | 158,546                                | 150,326                | 159,730                |
| Materials, parts and supplies                        | 140,920                                | 104,194                | 129,276                |
| Debt and finance charges                             | 42,000                                 | 25,167                 | 26,143                 |
| Amortization   | 24,707                                 | 19,186                 | 22,711                 |
| Assets and purchases                                 | 3,155                                  | 12,100                 | 5,164                  |
| Interest (Note 4)                                    | 170                                    | -                      | 12                     |
| Recoveries   |  | -                      | (26,453)               |
| <b>Total Expenses</b>                                | <b>3,092,923</b>                       | <b>2,839,010</b>       | <b>2,864,239</b>       |
| <b>Excess of Revenues Over Expenses</b>              | <b>235,793</b>                         | <b>618,805</b>         | <b>505,775</b>         |
| <b>ACCUMULATED DEFICIT, BEGINNING<br/>OF YEAR</b>    | <b>(1,014,955)</b>                     | <b>(1,014,955)</b>     | <b>(1,520,730)</b>     |
| <b>ACCUMULATED DEFICIT, END OF YEAR<br/>(Note 7)</b> | <b>\$ (779,162)</b>                    | <b>\$ (396,150)</b>    | <b>\$ (1,014,955)</b>  |

*See accompanying notes and schedule to the financial statements*



**THE CITY OF WINNIPEG**  
**ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31*

**NET INFLOW (OUTFLOW) OF CASH RELATED TO  
THE FOLLOWING ACTIVITIES:**

|   | <b>2013</b>      | 2012       |
|---|------------------|------------|
| <b>OPERATING</b>  |                  |            |
| Excess of revenues over expenses                                      | \$ 618,805       | \$ 505,775 |
| Non-cash charges to operations  |                  |            |
| Amortization  | 19,186           | 22,711     |
| Retirement allowances and compensated absences                        | 13,000           | 16,000     |
|   | <b>650,991</b>   | 544,486    |
| Net change in non-cash working capital balances related to operations | <b>(128,733)</b> | (95,367)   |
| Cash provided by operating activities                                 | <b>522,258</b>   | 449,119    |
| <b>CAPITAL</b>  |                  |            |
| Acquisition of tangible capital assets                                | <b>(23,485)</b>  | (20,392)   |
| <b>FINANCING</b>  |                  |            |
| Change in due from/to The City of Winnipeg - General Revenue Fund     | <b>(507,985)</b> | (438,812)  |
| (Decrease) increase in cash   | <b>(9,212)</b>   | (10,085)   |
| <b>CASH, BEGINNING OF YEAR</b>  | <b>13,640</b>    | 23,725     |
| <b>CASH, END OF YEAR</b>  | <b>\$ 4,428</b>  | \$ 13,640  |

*See accompanying notes and schedule to the financial statements*

**THE CITY OF WINNIPEG**  
**ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

**STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES**

*For the years ended December 31*

|   | <b>Budget<br/>2013<br/>(unaudited)</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|---|--|------------------------|------------------------|
| <i>Excess of Revenues Over Expenses</i>                 | \$ 235,793                             | \$ 618,805             | \$ 505,775             |
| Amortization of tangible capital assets                 | 24,707                                 | 19,186                 | 22,711                 |
| Change in inventories and prepaid expenses              | -                                      | 5,248                  | 23,555                 |
| Acquisition of tangible capital assets                  | (42,000)                               | (23,485)               | (20,392)               |
| <b>DECREASE IN NET<br/>FINANCIAL LIABILITIES</b>        | <b>218,500</b>                         | <b>619,754</b>         | <b>531,649</b>         |
| <b>NET FINANCIAL LIABILITIES,<br/>BEGINNING OF YEAR</b> | <b>(1,110,078)</b>                     | <b>(1,110,078)</b>     | <b>(1,641,727)</b>     |
| <b>NET FINANCIAL LIABILITIES,<br/>END OF YEAR</b>       | <b>\$ (891,578)</b>                    | <b>\$ (490,324)</b>    | <b>\$ (1,110,078)</b>  |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG

## ANIMAL SERVICES - SPECIAL OPERATING AGENCY

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

#### 1. *Description of Business*

Animal Services - Special Operating Agency (the "Agency") commenced operations on January 1, 2000. Goals since the establishment of the Agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

#### 2. *Significant Accounting Policies*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

##### **Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue in the period of which it is earned provided it is measurable and collection is reasonably certain. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

##### **Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial liabilities for the year.

##### **i) Tangible capital assets**

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

|                               |     |
|-------------------------------|-----|
| Computer equipment            | 25% |
| Furniture and other equipment | 20% |
| Communication radios          | 20% |

##### **ii) Inventories**

Inventories held for consumption are recorded at the lower of cost and net realizable value.

## 2. *Significant Accounting Policies (continued)*

### **Employee benefit plan**

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

### **Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ from actual results.

## 3. *Accounts Receivable*

|                                 | <b>2013</b>      | 2012      |
|---------------------------------|------------------|-----------|
| Trade accounts receivable       | \$ <b>30,338</b> | \$ 47,313 |
| Allowance for doubtful accounts | <b>(3,476)</b>   | (3,476)   |
|                                 | <b>26,862</b>    | 43,837    |
| Province of Manitoba            | <b>25,218</b>    | 25,218    |
|                                 | <b>\$ 52,080</b> | \$ 69,055 |

## 4. *Due from The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2013 interest rate was 0.9% (2012 - 1.05%). The 2013 budget approved by City Council includes an operating line of credit of \$1,100,000.

During the year, the Agency paid \$nil (2012 - \$12) in interest costs.

## 5. *Employee Benefits*

### **a) Retirement allowances and compensated absences**

|   | <b>2013</b>      | 2012      |
|---|------------------|-----------|
| Retirement allowances - accrued benefit liability | \$ <b>64,000</b> | \$ 51,000 |
| Compensated absences                              | <b>30,000</b>    | 30,000    |
|   | <b>\$ 94,000</b> | \$ 81,000 |

## 5. *Employee Benefits (continued)*

Qualifying City of Winnipeg employees are entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). These costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions and experienced gains and losses are amortized on a straight-line basis over 13.5 years. This represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2011. The results of this valuation were extrapolated to the financial reporting date of December 31, 2013.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Information about the Agency's retirement allowance benefit plan and compensated absences is as follows:

|  | 2013                     |                         | 2012                    |                         |
|--|--------------------------|-------------------------|-------------------------|-------------------------|
|  | Retirement<br>allowances | Compensated<br>absences | Retirement<br>allowance | Compensated<br>absences |
| Accrued benefit liability:                   |                          |                         |                         |                         |
| Balance, beginning of year                   | \$ 80,000                | \$ 27,000               | \$ 84,000               | \$ 25,000               |
| Current service cost                         | 5,000                    | 2,000                   | 5,000                   | 2,000                   |
| Interest cost                                | 3,000                    | 1,000                   | 3,000                   | 1,000                   |
| Benefit payments                             |                          | (1,000)                 | -                       | (1,000)                 |
| Net actuarial (gain)/loss                    | (14,000)                 | 1,000                   | (12,000)                | -                       |
| Balance, end of year                         | 74,000                   | 30,000                  | 80,000                  | 27,000                  |
| Unamortized net actuarial<br>(gain)/loss     | (10,000)                 | -                       | (29,000)                | 3,000                   |
| Accrued benefit liability                    | <u>\$ 64,000</u>         | <u>\$ 30,000</u>        | <u>\$ 51,000</u>        | <u>\$ 30,000</u>        |
| Benefit expenses:                            |                          |                         |                         |                         |
| Current service cost                         | \$ 5,000                 | \$ 2,000                | \$ 5,000                | \$ 2,000                |
| Interest cost                                | 3,000                    | 1,000                   | 3,000                   | 1,000                   |
| Amortization of net actuarial<br>(gain)/loss | 5,000                    | (2,000)                 | 6,000                   | -                       |
|  | <u>\$ 13,000</u>         | <u>\$ 1,000</u>         | <u>\$ 14,000</u>        | <u>\$ 3,000</u>         |
| Reconciliation of accrued benefit liability: |                          |                         |                         |                         |
| Balance, beginning of year                   | \$ 51,000                | \$ 30,000               | \$ 37,000               | \$ 28,000               |
| Benefit expense                              | 13,000                   | 1,000                   | 14,000                  | 3,000                   |
| Benefit payments                             | -                        | (1,000)                 | -                       | (1,000)                 |
| Balance, end of year                         | <u>\$ 64,000</u>         | <u>\$ 30,000</u>        | <u>\$ 51,000</u>        | <u>\$ 30,000</u>        |

## 5. *Employee Benefits (continued)*

The significant actuarial assumptions adopted in measuring the accrued benefit liability for the year ended December 31 are as follows:

|   | <b>2013</b>       | 2012       |
|---|-------------------|------------|
| Valuation interest rate                 | <b>3.70%</b>      | 3.60%      |
| General increases in pay                | <b>3.50%</b>      | 3.50%      |
| Expected average remaining service life | <b>13.5 years</b> | 13.3 years |

### b) Pensions

The Agency's employees are eligible for pension under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, \$107,124 (2012 - \$100,092) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and it has an actuarial surplus.

## 6. *Tangible Capital Assets*

|                               | <b>Net Book Value</b> |           |
|-------------------------------|-----------------------|-----------|
|                               | <b>2013</b>           | 2012      |
| Computer equipment            | \$ <b>6,794</b>       | \$ 7,530  |
| Furniture and other equipment | <b>27,866</b>         | 36,699    |
| Communication radios          | <b>15,867</b>         | 2,000     |
|                               | <b>\$ 50,527</b>      | \$ 46,229 |

For additional information, see Schedule of Tangible Capital Assets.

## 7. *Accumulated Deficit*

|                                  | <b>2013</b>           | 2012           |
|----------------------------------|-----------------------|----------------|
| Accumulated Deficit              | \$ <b>(1,014,955)</b> | \$ (1,520,730) |
| Excess of Revenues Over Expenses | <b>618,805</b>        | 505,775        |
|                                  | <b>\$ (396,150)</b>   | \$ (1,014,955) |

## 8. *Commitments*

The Agency and the Winnipeg Humane Society entered into a contract that was effective January 1, 2011 to December 31, 2013. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agreed to pay the Winnipeg Humane Society the sum of \$425,000 per year, payable in quarterly instalments of \$106,250. In addition, the Agency agreed to pay \$20 for every cat spay/neuter that the Winnipeg Humane Society performed up to an annual maximum of \$75,000. Funds for 2014 through 2016 have been budgeted on a status quo basis.

## **9. *Transfer from The City of Winnipeg***

In 2013 the transfer from The City of Winnipeg was increased by \$101,772 to \$1,404,276 for the purpose of reducing the Agency's deficit. It is planned that the additional funding will be provided each year for 10 years, at which point the deficit will be eliminated.

The transfers from the City of Winnipeg over the past five years are as follows:

|      |           |
|------|-----------|
| 2009 | 1,104,276 |
| 2010 | 1,154,276 |
| 2011 | 1,334,276 |
| 2012 | 1,302,504 |
| 2013 | 1,404,276 |

## **10. *Related Party Transactions***

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

Included in the Agency's expenditures is a transfer to The City of Winnipeg Municipal Accommodations Fund for rent of \$211,564 (2012 - \$211,439) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of \$80,396 (2012 - \$80,396). Also included are lease costs of \$87,696 (2012 - \$66,139) to The City of Winnipeg Fleet Management - Special Operating Agency and \$69,930 (2012 - \$69,582) for general government charges that have been paid to the City of Winnipeg - General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

**THE CITY OF WINNIPEG  
ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

**Schedule 1**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

*As at December 31*

|  | Computer<br>Equipment | Furniture<br>and Other<br>Equipment | Communication<br>Radios | 2013<br>Total    | 2012<br>Total    |
|--|-----------------------|-------------------------------------|-------------------------|------------------|------------------|
| <b>Cost</b>                                      |                       |                                     |                         |                  |                  |
| Balance, Beginning of year                       | \$ 141,377            | \$ 119,220                          | \$ 37,503               | \$ 298,100       | \$ 277,709       |
| Add:   |                       |                                     |                         |                  |                  |
| Additions during the year                        | 8,077                 | -                                   | 15,408                  | 23,485           | 20,392           |
| Less:  |                       |                                     |                         |                  |                  |
| Disposals during the year                        | -                     | -                                   | -                       | -                | -                |
| Balance, end of year                             | <u>149,454</u>        | <u>119,220</u>                      | <u>52,911</u>           | <u>321,585</u>   | <u>298,101</u>   |
| <b>Accumulated amortization</b>                  |                       |                                     |                         |                  |                  |
| Balance, Beginning of year                       | 133,847               | 82,522                              | 35,503                  | 251,872          | 229,161          |
| Add:   |                       |                                     |                         |                  |                  |
| Amortization                                     | 8,813                 | 8,832                               | 1,541                   | 19,186           | 22,711           |
| Less:  |                       |                                     |                         |                  |                  |
| Accumulated amortization on disposals            | -                     | -                                   | -                       | -                | -                |
| Balance, end of year                             | <u>142,660</u>        | <u>91,354</u>                       | <u>37,044</u>           | <u>271,058</u>   | <u>251,872</u>   |
| <b>Net Book Value of Tangible Capital Assets</b> | <u>\$ 6,794</u>       | <u>\$ 27,866</u>                    | <u>\$ 15,867</u>        | <u>\$ 50,527</u> | <u>\$ 46,229</u> |







# THE CITY OF WINNIPEG

## GOLF SERVICES - SPECIAL OPERATING AGENCY

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*

|   | <u>2013</u>                 | <u>2012</u>                 |
|---|-----------------------------|-----------------------------|
| <b><i>FINANCIAL ASSETS</i></b>                              |                             |                             |
| Accounts receivable   | \$ 255                      | \$ 274                      |
| Inventories   | <u>23</u>                   | <u>31</u>                   |
|   | <u>278</u>                  | <u>305</u>                  |
| <br><b><i>LIABILITIES</i></b>                               |                             |                             |
| Due to The City of Winnipeg - General Revenue Fund (Note 3) | 7,585                       | 6,408                       |
| Accounts payable and accrued liabilities                    | 55                          | 295                         |
| Deferred revenue  | 55                          | 41                          |
| Debt (Note 4)   | 3,807                       | 3,933                       |
| Environmental liability                                     | -                           | 100                         |
| Accrued employee benefits (Note 5a)                         | <u>151</u>                  | <u>161</u>                  |
|   | <u>11,653</u>               | <u>10,938</u>               |
| <br><b><i>NET FINANCIAL LIABILITIES</i></b>                 | <br><u>(11,375)</u>         | <br><u>(10,633)</u>         |
| <br><b><i>NON-FINANCIAL ASSETS</i></b>                      |                             |                             |
| Tangible capital assets (Note 6)                            | <u>22,659</u>               | <u>22,840</u>               |
|   | <u>22,659</u>               | <u>22,840</u>               |
| <br><b><i>ACCUMULATED SURPLUS (Note 7)</i></b>              | <br><u><u>\$ 11,284</u></u> | <br><u><u>\$ 12,207</u></u> |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG

## GOLF SERVICES - SPECIAL OPERATING AGENCY

### STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31

(in thousands of dollars)

|   | Budget<br>2013<br>(Unaudited) | Actual<br>2013 | Actual<br>2012 |
|---|-------------------------------|----------------|----------------|
| <b>REVENUES</b>   |                               |                |                |
| Green fees  | \$ 1,704                      | \$ 1,631       | \$ 1,689       |
| Equipment rentals   | 352                           | 335            | 337            |
| Net revenue from leasing operations                         | 260                           | 262            | 263            |
| Other   | 32                            | 50             | 32             |
| Concessions   | 56                            | 49             | 61             |
| Merchandise sales   | 63                            | 41             | 78             |
| Total Revenues  | 2,467                         | 2,368          | 2,460          |
| <b>EXPENSES</b>   |                               |                |                |
| Salaries and employee benefits (Note 5)                     | 1,456                         | 1,218          | 1,449          |
| Services (Note 8)   | 666                           | 880            | 935            |
| Debt, finance charges and interest (Notes 3 and 4)          | 342                           | 322            | 319            |
| Municipal tax equivalency charge (Note 9)                   | 318                           | 314            | 310            |
| Amortization  | 238                           | 227            | 248            |
| Material, parts and supplies                                | 241                           | 220            | 219            |
| Loss on disposal of tangible capital assets                 | -                             | -              | 145            |
| Rent (Note 8b)  | 17                            | -              | 17             |
| Total Expenses  | 3,278                         | 3,181          | 3,642          |
| Deficiency of Revenues Over Expenses                        | (811)                         | (813)          | (1,182)        |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>               | 12,207                        | 12,207         | 13,470         |
| Transfer to The City of Winnipeg - Golf Course Reserve Fund | -                             | (67)           | -              |
| Transfer to The City of Winnipeg - General Revenue Fund     | (42)                          | (43)           | (81)           |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                     | \$ 11,354                     | \$ 11,284      | \$ 12,207      |

See accompanying notes and schedule to the financial statements

**THE CITY OF WINNIPEG  
GOLF SERVICES - SPECIAL OPERATING AGENCY**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31*

*(in thousands of dollars)*

|  | <u>2013</u>        | <u>2012</u>        |
|--|--------------------|--------------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO<br/>THE FOLLOWING ACTIVITIES:</b> |                    |                    |
| <b>OPERATING</b>   |                    |                    |
| Deficiency of revenues over expenses   | \$ (813)           | \$ (1,182)         |
| Non-cash charges to operations   |                    |                    |
| Amortization   | 227                | 248                |
| Loss (gain) on disposal of tangible capital assets                           | -                  | 145                |
| Retirement allowance and compensated absences                                | 12                 | 12                 |
| Environmental liability  | (100)              | 90                 |
|  | <u>(674)</u>       | <u>(687)</u>       |
| Net change in non-cash working capital balances related to operations        | <u>(221)</u>       | <u>222</u>         |
| Cash used in operating activities  | <u>(895)</u>       | <u>(465)</u>       |
| <b>CAPITAL</b>   |                    |                    |
| Acquisition of tangible capital assets                                       | (46)               | (80)               |
| Proceeds on disposal of tangible capital assets                              | -                  | 15                 |
| Cash used in capital activities  | <u>(46)</u>        | <u>(65)</u>        |
| <b>FINANCING</b>   |                    |                    |
| Change in due to The City of Winnipeg - General Revenue Fund                 | 1,177              | 708                |
| Debt - The City of Winnipeg  | (126)              | (97)               |
| Transfer to The City of Winnipeg - Golf Course Reserve Fund                  | (67)               | -                  |
| Transfer to The City of Winnipeg - General Revenue Fund                      | (43)               | (81)               |
| Cash provided by financing activities  | <u>941</u>         | <u>530</u>         |
| <b>INCREASE (DECREASE) IN CASH</b>   | -                  | -                  |
| <b>CASH, BEGINNING OF YEAR</b>   | <u>-</u>           | <u>-</u>           |
| <b>CASH, END OF YEAR</b>   | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

*See accompanying notes and schedule to the financial statements*

**THE CITY OF WINNIPEG**  
**GOLF SERVICES - SPECIAL OPERATING AGENCY**

**STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES**

*For the years ended December 31*  
*(in thousands of dollars)*

|   | <b>Budget<br/>2013<br/>(Unaudited)</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|---|--|------------------------|------------------------|
| <b>DEFICIENCY OF REVENUES OVER EXPENSES</b>                 | <b>\$ (811)</b>                        | <b>\$ (813)</b>        | <b>\$ (1,182)</b>      |
| Amortization of tangible capital assets                     | <b>238</b>                             | <b>227</b>             | 248                    |
| Proceeds on disposal of tangible capital assets             | -                                      | -                      | 15                     |
| Loss (gain) on disposal of tangible capital assets          | -                                      | -                      | 145                    |
| Change in prepaid expenses                                  | -                                      | -                      | 5                      |
| Transfer to the City of Winnipeg - General Revenue Fund     | <b>(42)</b>                            | <b>(43)</b>            | (81)                   |
| Transfer to the City of Winnipeg - Golf Course Reserve Fund |  | <b>(67)</b>            | -                      |
| Acquisition of tangible capital assets                      | <b>(113)</b>                           | <b>(46)</b>            | (80)                   |
| <b>INCREASE IN NET FINANCIAL LIABILITIES</b>                | <b>(728)</b>                           | <b>(742)</b>           | (930)                  |
| <b>NET FINANCIAL LIABILITIES, BEGINNING OF YEAR</b>         | <b>(10,633)</b>                        | <b>(10,633)</b>        | (9,703)                |
| <b>NET FINANCIAL LIABILITIES, END OF YEAR</b>               | <b>\$ (11,361)</b>                     | <b>\$ (11,375)</b>     | <b>\$ (10,633)</b>     |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG

## GOLF SERVICES - SPECIAL OPERATING AGENCY

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

#### **1. Description of Business**

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for a Golf Services - Special Operating Agency (the "Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by The City of Winnipeg and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to The City of Winnipeg on golf operations and ensure the long-term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

#### **2. Significant Accounting Policies**

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

##### **a) Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

##### **b) Deferred revenue**

Sales of prepaid passes that have not been redeemed are deferred and recognized as revenue in the year in which the rounds are played.

##### **c) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

##### **d) Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the deficiency of revenues over expenses, provides the change in financial liabilities for the year.

## **2. Significant Accounting Policies (continued)**

### **e) Tangible capital assets**

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by The City of Winnipeg Assessment and Taxation Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002 is recorded at its estimated net realizable value on that date. Subsequent acquisitions are recorded at cost.

Capital assets are amortized over their estimated useful lives using the following rates and methods:

|                          |     |               |
|--------------------------|-----|---------------|
| Building                 | 4%  | Straight-line |
| Equipment                | 10% | Straight-line |
| Golf course improvements | 5%  | Straight-line |

### **f) Inventories**

Inventories held for consumption are recorded at the lower of cost and net realizable value. The amount of inventory expensed during the year was \$29 thousand (2012 - \$59 thousand).

### **g) Revenue recognition**

Green fees and equipment rentals income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product. Income from prepaid passes is recognized in the year in which the rounds are played.

### **h) Employee benefit plan**

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

## **3. Due to The City of Winnipeg - General Revenue Fund**

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is \$7.5 million (2012 - \$6.5 million) at a varying overnight rate that is a function of the Bank of Canada rate. As of December 31, 2013, the rate was 0.9% (2012 - 0.9%). The interest paid in 2013 was \$70 thousand (2012 - \$61 thousand).

#### 4. *Debt - The City of Winnipeg*

##### **Golf Course Reserve**

Golf course improvement loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:

|        | <u>2013</u> | <u>2012</u> |
|--------|-------------|-------------|
| - 2004 | \$ -        | \$ 9        |
| - 2005 | 10          | 19          |
| - 2006 | 29          | 42          |
| - 2007 | 89          | 115         |
| - 2008 | 143         | 175         |
| - 2009 | 7           | 9           |
| - 2010 | 183         | 208         |
| - 2011 | 38          | 42          |
| - 2012 | 198         | 217         |
| - 2013 | 42          | 45          |
| - 2014 | 60          | 60          |
| - 2015 | 45          | -           |
|        | <u>844</u>  | <u>941</u>  |

##### **General Revenue Fund**

Start-up loan, interest at 6%, repayable in annual payments of \$208 thousand, including interest and principal

|                 |                 |
|-----------------|-----------------|
| <u>2,963</u>    | <u>2,992</u>    |
| <u>\$ 3,807</u> | <u>\$ 3,933</u> |

On December 11, 2013, Council adopted the recommendations that, effective January 1, 2014, the golf course improvement loans totaling \$844 thousand be forgiven and the start-up loan owed to the General Revenue Fund be changed from interest at 6% to a non-interest bearing loan.

a) Principal repayments due within the next five years and thereafter are as follows:

|            |                 |
|------------|-----------------|
| 2014       | \$ 31           |
| 2015       | 32              |
| 2016       | 34              |
| 2017       | 36              |
| 2018       | 39              |
| Thereafter | <u>2,791</u>    |
|            | <u>\$ 2,963</u> |

b) Interest on the golf course improvement loans during the year was \$58 thousand (2012 - \$63 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was \$179 thousand (2012 - \$181 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was \$237 thousand (2012 - \$244 thousand).

#### 5. *Accrued Employee Benefits*

##### **a) Retirement allowance, vacation and compensated absences**

|  | <u>2013</u>   | <u>2012</u>   |
|--|---------------|---------------|
| Retirement allowance - accrued benefit liability | \$ 117        | \$ 107        |
| Vacation   | 30            | 52            |
| Compensated absences                             | 4             | 2             |
|  | <u>\$ 151</u> | <u>\$ 161</u> |



## 5. *Accrued Employee Benefits (continued)*

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 12.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2012. The results of this valuation were extrapolated to the financial reporting date of December 31, 2013 using year-end assumptions.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

|  | 2013                 |                      | 2012                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Retirement allowance | Compensated absences | Retirement allowance | Compensated absences |
| Accrued benefit liability:                   |                      |                      |                      |                      |
| Balance, beginning of year                   | \$ 98                | \$ 37                | \$ 101               | \$ 39                |
| Current service cost                         | 7                    | 3                    | 7                    | 3                    |
| Interest cost                                | 4                    | 1                    | 4                    | 1                    |
| Benefit payments                             |                      | (5)                  | -                    | (6)                  |
| Net actuarial (gain)/loss                    | (5)                  | 4                    | (14)                 | -                    |
| Balance, end of year                         | 104                  | 40                   | 98                   | 37                   |
| Unamortized net actuarial gain/(loss)        | 13                   | (36)                 | 9                    | (35)                 |
| Accrued benefit liability end of year        | <u>\$ 117</u>        | <u>\$ 4</u>          | <u>\$ 107</u>        | <u>\$ 2</u>          |
| Benefit expense:                             |                      |                      |                      |                      |
| Current service cost                         | \$ 7                 | \$ -                 | \$ 7                 | \$ 3                 |
| Interest cost                                | 4                    | -                    | 4                    | 1                    |
| Amortization of net actuarial gain/(loss)    | (1)                  | -                    | -                    | 3                    |
|  | <u>\$ 10</u>         | <u>\$ -</u>          | <u>\$ 11</u>         | <u>\$ 7</u>          |
| Reconciliation of accrued benefit liability: |                      |                      |                      |                      |
| Balance, beginning of year                   | \$ 107               | \$ 2                 | \$ 96                | \$ 1                 |
| Benefit expense                              | 10                   | 7                    | 11                   | 7                    |
| Benefit payments                             | -                    | (5)                  | -                    | (6)                  |
|  | <u>\$ 117</u>        | <u>\$ 4</u>          | <u>\$ 107</u>        | <u>\$ 2</u>          |

The significant actuarial assumptions adopted in measuring the retirement allowance liability for the year ended December 31 are as follows:

|                          | 2013  | 2012  |
|--------------------------|-------|-------|
| Valuation interest rate  | 3.70% | 3.60% |
| General increases in pay | 3.50% | 3.50% |

## 5. *Accrued Employee Benefits (continued)*

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

### b) **Pension**

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$70 thousand (2012 - \$71 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and it has an actuarial surplus.

## 6. *Tangible Capital Assets*

|                          | <b>Net Book Value</b> |                  |
|--------------------------|-----------------------|------------------|
|                          | <b>2013</b>           | <b>2012</b>      |
| Land                     | \$ 20,376             | \$ 20,376        |
| Building                 | 1,186                 | 1,278            |
| Equipment                | 324                   | 404              |
| Golf course improvements | 773                   | 782              |
|                          | <b>\$ 22,659</b>      | <b>\$ 22,840</b> |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

## 7. *Accumulated Surplus*

|                     | <b>2013</b>      | <b>2012</b>      |
|---------------------|------------------|------------------|
| Contributed surplus | \$ 20,574        | \$ 20,574        |
| Deficit             | (9,290)          | (8,367)          |
|                     | <b>\$ 11,284</b> | <b>\$ 12,207</b> |

## 8. *Related Party Transactions*

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

- In Services, an amount of \$16 thousand (2012 - \$16 thousand) for general government charges has been included and paid to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency;
- No amount (2012 - \$17 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space;
- An amount of \$57 thousand (2012- \$54 thousand) has been charged by The City of Winnipeg General Revenue Fund for various supporting services provided by The City of Winnipeg Planning, Property and Development Department;
- An amount of \$189 thousand (2012 - \$112 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various golf courses;

**8. *Related Party Transactions (continued)***

- e) An amount of \$234 thousand (2012 - \$57 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles and equipment owned/leased by the Agency
- f) An amount of \$6 thousand (2012 - \$15 thousand) has been charged by The City of Winnipeg Water and Waste Department for landfill tipping fees.

**9. *Municipal Tax Equivalency Charge***

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by The City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses. The municipal tax equivalency charge also includes payroll tax of \$23 thousand (2012- \$27 thousand).

# THE CITY OF WINNIPEG

## GOLF SERVICES - SPECIAL OPERATING AGENCY

Schedule 1

### SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31  
(in thousands of dollars)

|  | Land                    | Building               | Equipment            | Golf Course<br>Improvements | Total<br>2013           | Total<br>2012           |
|--|-------------------------|------------------------|----------------------|-----------------------------|-------------------------|-------------------------|
| <b>Cost</b>  |                         |                        |                      |                             |                         |                         |
| Balance, beginning of year                           | \$ 20,376               | \$ 2,277               | \$ 1,580             | \$ 1,048                    | \$ 25,281               | \$ 25,473               |
| Add:   |                         |                        |                      |                             |                         |                         |
| Additions during the year                            | -                       | -                      | 2                    | 44                          | 46                      | 80                      |
| Less:  |                         |                        |                      |                             |                         |                         |
| Disposals during the year                            | -                       | -                      | -                    | -                           | -                       | (272)                   |
| Balance, end of year                                 | <u>20,376</u>           | <u>2,277</u>           | <u>1,582</u>         | <u>1,092</u>                | <u>25,327</u>           | <u>25,281</u>           |
| <b>Accumulated amortization</b>                      |                         |                        |                      |                             |                         |                         |
| Balance, beginning of year                           | -                       | 999                    | 1,176                | 266                         | 2,441                   | 2,305                   |
| Add:   |                         |                        |                      |                             |                         |                         |
| Amortization   | -                       | 92                     | 82                   | 53                          | 227                     | 248                     |
| Less:  |                         |                        |                      |                             |                         |                         |
| Accumulated amortization<br>on disposals             | -                       | -                      | -                    | -                           | -                       | (112)                   |
| Balance, end of year                                 | <u>-</u>                | <u>1,091</u>           | <u>1,258</u>         | <u>319</u>                  | <u>2,668</u>            | <u>2,441</u>            |
| <b>Net Book Value of Tangible<br/>Capital Assets</b> | <u><u>\$ 20,376</u></u> | <u><u>\$ 1,186</u></u> | <u><u>\$ 324</u></u> | <u><u>\$ 773</u></u>        | <u><u>\$ 22,659</u></u> | <u><u>\$ 22,840</u></u> |



# THE CITY OF WINNIPEG

## FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

### STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*

|   | 2013             | 2012             |
|---|------------------|------------------|
| <b>FINANCIAL ASSETS</b>                                       |                  |                  |
| Accounts receivable   | \$ 83            | \$ 120           |
| Due from The City of Winnipeg - General Revenue Fund (Note 3) | -                | 1,194            |
|   | <b>83</b>        | <b>1,314</b>     |
| <b>LIABILITIES</b>  |                  |                  |
| Due to The City of Winnipeg - General Revenue Fund (Note 3)   | 9,738            | -                |
| Accounts payable and accrued liabilities                      | 1,350            | 1,371            |
| Debt (Note 4)   | 37,032           | 47,251           |
| Accrued employee benefits (Note 5a)                           | 1,499            | 1,401            |
|   | <b>49,619</b>    | <b>50,023</b>    |
| <b>NET FINANCIAL LIABILITIES</b>                              | <b>(49,536)</b>  | <b>(48,709)</b>  |
| <b>NON-FINANCIAL ASSETS</b>                                   |                  |                  |
| Tangible capital assets (Note 6)                              | 69,649           | 70,165           |
| Inventories   | 1,706            | 1,696            |
| Prepaid expenses  | 511              | 535              |
|   | <b>71,866</b>    | <b>72,396</b>    |
| <b>ACCUMULATED SURPLUS</b>                                    | <b>\$ 22,330</b> | <b>\$ 23,687</b> |
| Commitments (Note 7)  |                  |                  |

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG**  
**FLEET MANAGEMENT - SPECIAL OPERATING AGENCY**

**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

*For the years ended December 31*  
*(in thousands of dollars)*

|  | <b>Budget<br/>2013<br/>(Unaudited)</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|--|--|------------------------|------------------------|
| <b>REVENUES</b>  |  |                        |                        |
| Fleet leases   | \$ 28,403                              | \$ 26,030              | \$ 25,316              |
| Fuel sales   | 9,150                                  | 9,158                  | 8,789                  |
| Services and parts revenue (Schedule 1)                              | 7,389                                  | 7,791                  | 7,459                  |
| Rental income  | 2,641                                  | 3,294                  | 2,511                  |
| Gain on sale of tangible capital assets                              | 100                                    | 129                    | 432                    |
| Total Revenues   | <u>47,683</u>                          | <u>46,402</u>          | <u>44,507</u>          |
| <b>EXPENSES</b>  |  |                        |                        |
| Amortization   | 14,634                                 | 13,566                 | 13,192                 |
| Supplies   | 11,216                                 | 11,769                 | 10,860                 |
| Salaries and employee benefits                                       | 9,747                                  | 8,851                  | 8,432                  |
| Services   | 6,865                                  | 8,003                  | 6,558                  |
| Interest (Notes 3 and 4)   | 2,046                                  | 1,647                  | 1,968                  |
| Other expenses   | 982                                    | 1,173                  | 504                    |
| Total Expenses   | <u>45,490</u>                          | <u>45,009</u>          | <u>41,514</u>          |
| Annual Surplus Before Other  | <u>2,193</u>                           | <u>1,393</u>           | <u>2,993</u>           |
| <b>OTHER</b>   |  |                        |                        |
| Transfer to The City of Winnipeg - General Revenue Fund<br>(Note 9f) | <u>-</u>                               | <u>2,750</u>           | <u>-</u>               |
| Annual (Deficit) Surplus   | <u>\$ 2,193</u>                        | <u>(1,357)</u>         | <u>2,993</u>           |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>                        |  | <u>23,687</u>          | <u>20,694</u>          |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                              |  | <u>\$ 22,330</u>       | <u>\$ 23,687</u>       |

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG  
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31  
(in thousands of dollars)*

|  | <u>2013</u>     | <u>2012</u> |
|--|-----------------|-------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO<br/>THE FOLLOWING ACTIVITIES:</b> |                 |             |
| <b>OPERATING</b>   |                 |             |
| Annual (Deficit) Surplus   | \$ (1,357)      | \$ 2,993    |
| Non-cash charges to operations   |                 |             |
| Amortization   | 13,566          | 13,192      |
| Gain on sale of tangible capital assets                                      | (129)           | (432)       |
| Write down of environmental liability  | -               | (30)        |
| Write down of other liabilities  | -               | (2)         |
| Accretion expense  | -               | 2           |
|  | <u>12,080</u>   | 15,723      |
| Net change in non-cash working capital balances related to operations        | <u>128</u>      | 540         |
| Cash provided by operating activities  | <u>12,208</u>   | 16,263      |
| <b>CAPITAL</b>   |                 |             |
| Acquisition of tangible capital assets                                       | (13,989)        | (6,577)     |
| Proceeds on disposal of tangible capital assets                              | 1,068           | 708         |
| Cash used in capital activities  | <u>(12,921)</u> | (5,869)     |
| <b>FINANCING</b>   |                 |             |
| Change in due to/from The City of Winnipeg - General Revenue Fund            | 10,932          | (8,815)     |
| Proceeds from term loans   | -               | 9,000       |
| Repayment of term loans  | (10,219)        | (10,405)    |
| Repayment of debt - The City of Winnipeg                                     | -               | (174)       |
| Cash provided by financing activities  | <u>713</u>      | (10,394)    |
| <b>CASH, BEGINNING OF YEAR</b>   |                 |             |
| <b>CASH, END OF YEAR</b>   | <u>\$ -</u>     | <u>\$ -</u> |

*See accompanying notes and schedules to the financial statements*



**THE CITY OF WINNIPEG**  
**FLEET MANAGEMENT - SPECIAL OPERATING AGENCY**

**STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES**

*For the years ended December 31*  
*(in thousands of dollars)*

|   | <b>Budget<br/>2013</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|---|------------------------|------------------------|------------------------|
|   | <u>(Unaudited)</u>     |                        |                        |
| <b>ANNUAL (DEFICIT) SURPLUS</b>                             | <b>\$ 2,193</b>        | <b>\$ (1,357)</b>      | <b>\$ 2,993</b>        |
| Amortization of tangible capital assets                     | <b>14,634</b>          | <b>13,566</b>          | 13,192                 |
| Proceeds on disposal of tangible capital assets             | <b>100</b>             | <b>1,068</b>           | 708                    |
| Change in inventories and prepaid expenses                  | <b>588</b>             | <b>14</b>              | 246                    |
| Gain on sale of tangible capital assets                     | <b>(100)</b>           | <b>(129)</b>           | (432)                  |
| Acquisition of tangible capital assets                      | <b>(22,472)</b>        | <b>(13,989)</b>        | (6,577)                |
|   |                        |                        |                        |
| <b>(INCREASE) DECREASE IN NET<br/>FINANCIAL LIABILITIES</b> | <b>(5,057)</b>         | <b>(827)</b>           | 10,130                 |
| <b>NET FINANCIAL LIABILITIES, BEGINNING OF YEAR</b>         | <b>(56,364)</b>        | <b>(48,709)</b>        | (58,839)               |
| <b>NET FINANCIAL LIABILITIES, END OF YEAR</b>               | <b>\$ (61,421)</b>     | <b>\$ (49,536)</b>     | <b>\$ (48,709)</b>     |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG

## FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(all tabular amounts are in thousands of dollars, unless otherwise noted)

#### 1. *Status of the Winnipeg Fleet Management Agency*

On May 28, 2003, City Council adopted the Winnipeg Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency effective January 1, 2003.

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other public organizations, in support of their service delivery.

#### 2. *Significant Accounting Policies*

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

##### a) **Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

##### b) **Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual (deficit) surplus, provides the change in net financial liabilities for the year.

##### i) **Tangible capital assets**

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

Tangible capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:

|                      |               |                   |
|----------------------|---------------|-------------------|
| Buildings            | 4% to 8%      | Straight-line     |
| Fleet assets         |               |                   |
| Acquired at start-up | 30%           | Declining balance |
| Purchased            | 1 to 15 years | Straight-line     |
| Equipment            | 3% to 30%     | Straight-line     |

Amortization begins once an asset is placed into service.

## **2. *Significant Accounting Policies (continued)***

### **ii) Inventories**

Inventories held for consumption are recorded at the lower of cost and net realizable value.

### **c) Revenue recognition**

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

### **d) Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are not the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue or expense in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

### **e) Employee benefit plan**

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

### **f) Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

## **3. *Due to/from The City of Winnipeg - General Revenue Fund***

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to/from" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%). As well, the Agency has negotiated an operating line of credit up to \$300 thousand and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisitions.

Interest paid to The City of Winnipeg - General Revenue Fund was \$18 thousand (2012 - \$22 thousand). Interest received from The City of Winnipeg - General Revenue Fund was \$2 thousand (2012 - \$12 thousand).

#### 4. Debt

| <b>Lender</b>   | <b>Maturity Date</b> | <b>Interest Rate</b> | <b>2013</b>      | <b>2012</b>      |
|---|----------------------|----------------------|------------------|------------------|
| Royal Bank of Canada (Note 4b)  | 2014 - 2019          | 4.53% - 5.20%        | \$ 11,365        | \$ 14,438        |
| The Toronto-Dominion Bank (Note 4b)   | 2014 - 2021          | 2.17% - 4.14%        | 25,489           | 32,635           |
|   |                      |                      | <b>36,854</b>    | 47,073           |
| The City of Winnipeg -<br>non-interest bearing, no repayment schedule (Note 9e) |                      |                      | 178              | 178              |
|   |                      |                      | <b>\$ 37,032</b> | <b>\$ 47,251</b> |

a) Principal repayments due within the next five years and thereafter are as follows:

|            |                  |
|------------|------------------|
| 2014       | \$ 9,600         |
| 2015       | 8,513            |
| 2016       | 6,569            |
| 2017       | 5,311            |
| 2018       | 4,324            |
| Thereafter | 2,537            |
|            | <b>\$ 36,854</b> |

b) The Agency has credit facilities by way of series of unsecured term loans. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2013, \$36,854 thousand (2012 - \$47,073 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2013 was 3.9% (2012 - 4.1%).

c) Cash paid for interest during the year is \$1,650 thousand (2012 - \$1,956 thousand).

#### 5. Accrued Employee Benefits

##### a) Retirement allowance, vacation and compensated absences

|  | <b>2013</b>     | <b>2012</b>     |
|--|-----------------|-----------------|
| Vacation                                 | \$ 641          | \$ 658          |
| Retirement allowance - accrued liability | 725             | 623             |
| Compensated absences                     | 133             | 120             |
|  | <b>\$ 1,499</b> | <b>\$ 1,401</b> |

Under the retirement allowance program, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 12.1 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2011. The results of this valuation were extrapolated to December 31, 2013.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

## 5. *Accrued Employee Benefits (continued)*

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

|  | 2013                 |                      | 2012                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Retirement allowance | Compensated absences | Retirement allowance | Compensated absences |
| Accrued benefit obligation:                  |                      |                      |                      |                      |
| Balance, beginning of year                   | \$ 840               | \$ 217               | \$ 864               | \$ 216               |
| Current service cost                         | 53                   | 16                   | 51                   | 15                   |
| Interest cost                                | 32                   | 8                    | 31                   | 8                    |
| Benefit payments                             | (3)                  | (20)                 | (146)                | (22)                 |
| Amortization of net actuarial loss           | (27)                 | (7)                  | 40                   | -                    |
| Balance, end of year                         | 895                  | 214                  | 840                  | 217                  |
| Unamortized net actuarial loss               | (170)                | (81)                 | (217)                | (97)                 |
| Accrued benefit liability                    | <u>\$ 725</u>        | <u>\$ 133</u>        | <u>\$ 623</u>        | <u>\$ 120</u>        |
| Benefit expense consists of the following:   |                      |                      |                      |                      |
| Current service cost                         | \$ 53                | \$ 16                | \$ 51                | \$ 15                |
| Interest cost                                | 32                   | 8                    | 31                   | 8                    |
| Amortization of net actuarial loss           | 20                   | 9                    | 17                   | 8                    |
|  | <u>\$ 105</u>        | <u>\$ 33</u>         | <u>\$ 99</u>         | <u>\$ 31</u>         |
| Reconciliation of accrued benefit liability: |                      |                      |                      |                      |
| Balance, beginning of year                   | \$ 623               | \$ 120               | \$ 670               | \$ 111               |
| Benefits expense                             | 105                  | 33                   | 99                   | 31                   |
| Benefits payments                            | (3)                  | (20)                 | (146)                | (22)                 |
| Balance, end of year                         | <u>\$ 725</u>        | <u>\$ 133</u>        | <u>\$ 623</u>        | <u>\$ 120</u>        |

The significant actuarial assumptions adopted in measuring the retirement allowance and compensated absences obligations for the year ended December 31 are as follows:

|                          | 2013 | 2012 |
|--------------------------|------|------|
| Valuation interest rate  | 3.7% | 3.6% |
| General increases in pay | 3.5% | 3.5% |

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

### b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$671 thousand (2012 - \$619 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2012 and it has an actuarial surplus.

## 6. *Tangible Capital Assets*

|              | <b>Net Book Value</b> |                  |
|--------------|-----------------------|------------------|
|              | <b>2013</b>           | <b>2012</b>      |
| Land         | \$ 390                | \$ 390           |
| Buildings    | 2,383                 | 2,549            |
| Fleet assets | 63,293                | 63,347           |
| Equipment    | 3,583                 | 3,879            |
|              | <b>\$ 69,649</b>      | <b>\$ 70,165</b> |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 2).

The net book value of fleet assets not yet in service is \$3,895 thousand (2012 - \$2,650 thousand), and equipment not yet in service is \$nil (2012 - \$25 thousand).

Fleet assets written off during the year is \$nil (2012 - \$nil). Interest capitalized during 2013 is \$nil (2012 - \$nil).

## 7. *Commitments*

The Agency has entered into operating lease agreements for the lease of fleet equipment. Future minimum lease payments are \$191 thousand in 2014.

## 8. *Accumulated Surplus*

|                     | <b>2013</b>      | <b>2012</b>      |
|---------------------|------------------|------------------|
| Contributed surplus | \$ 11,425        | \$ 11,425        |
| Surplus             | 10,905           | 12,262           |
|                     | <b>\$ 22,330</b> | <b>\$ 23,687</b> |

## 9. *Related Party Transactions*

The Agency is wholly owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the related party transactions that occurred are as follows:

- Revenues include sales of goods and services of \$44,657 thousand (2012 - \$42,724 thousand) to The City of Winnipeg.
- An amount of \$1,083 thousand (2012 - \$885 thousand) has been transferred to the General Revenue Fund for operator training and miscellaneous services.
- An amount of \$556 thousand (2012 - \$232 thousand) has been transferred to the Municipal Accommodations Fund for the rental of office and garage space, and miscellaneous services.
- An amount of \$2 thousand (2012 - \$2 thousand) has been transferred to the Parking Services Agency for miscellaneous services.
- Transfer to the General Revenue Fund for repayment of The City of Winnipeg debt is \$nil (2012 - \$174 thousand).
- An amount of \$2,750 thousand (2012 - \$nil) has been transferred to the General Revenue Fund as a return on investment.

**THE CITY OF WINNIPEG**  
**FLEET MANAGEMENT - SPECIAL OPERATING AGENCY**

**Schedule 1**

**SCHEDULE OF SERVICES AND PARTS REVENUE**

*For the years ended December 31*  
*(in thousands of dollars)*

|  | <b>Budget<br/>2013</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|--|------------------------|------------------------|------------------------|
|  | <b>(Unaudited)</b>     |                        |                        |
| Consumables and corrective maintenance | \$ 3,708               | \$ 3,753               | \$ 3,770               |
| Insurance revenue                      | 1,838                  | 1,703                  | 1,698                  |
| Power tools                            | 757                    | 757                    | 742                    |
| Manufacturing sales                    | 311                    | 690                    | 376                    |
| Autopac rebate                         | 397                    | 581                    | 454                    |
| Other                                  | 225                    | 155                    | 269                    |
| Provincial support grant               | 153                    | 152                    | 150                    |
|  | <b>\$ 7,389</b>        | <b>\$ 7,791</b>        | <b>\$ 7,459</b>        |

**THE CITY OF WINNIPEG  
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY**

**Schedule 2**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

*As at December 31  
(in thousands of dollars)*

|  | Land          | Buildings       | Fleet Assets     | Equipment       | Total<br>2013    | Total<br>2012    |
|--|---------------|-----------------|------------------|-----------------|------------------|------------------|
| <b>Cost</b>  |               |                 |                  |                 |                  |                  |
| Balance, beginning of year                           | \$ 390        | \$ 3,710        | \$ 124,406       | \$ 6,650        | \$ 135,156       | \$ 131,172       |
| Add:   |               |                 |                  |                 |                  |                  |
| Additions during the year                            | -             | -               | 13,876           | 113             | 13,989           | 6,577            |
| Less:  |               |                 |                  |                 |                  |                  |
| Disposals during the year                            | -             | -               | (2,414)          | -               | (2,414)          | (2,593)          |
| Balance, end of year                                 | <u>390</u>    | <u>3,710</u>    | <u>135,868</u>   | <u>6,763</u>    | <u>146,731</u>   | <u>135,156</u>   |
| <b>Accumulated amortization</b>                      |               |                 |                  |                 |                  |                  |
| Balance, beginning of year                           | -             | 1,161           | 61,059           | 2,771           | 64,991           | 54,116           |
| Add:   |               |                 |                  |                 |                  |                  |
| Amortization   | -             | 166             | 12,992           | 408             | 13,566           | 13,192           |
| Less:  |               |                 |                  |                 |                  |                  |
| Accumulated amortization<br>on disposals             | -             | -               | (1,475)          | -               | (1,475)          | (2,317)          |
| Balance, end of year                                 | <u>-</u>      | <u>1,327</u>    | <u>72,576</u>    | <u>3,179</u>    | <u>77,082</u>    | <u>64,991</u>    |
| <b>Net Book Value of<br/>Tangible Capital Assets</b> | <u>\$ 390</u> | <u>\$ 2,383</u> | <u>\$ 63,292</u> | <u>\$ 3,584</u> | <u>\$ 69,649</u> | <u>\$ 70,165</u> |



**THE CITY OF WINNIPEG**  
**WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY**

**STATEMENT OF FINANCIAL POSITION**

*As at December 31*  
*(in thousands of dollars)*

|   | <b>2013</b>      | 2012             |
|---|------------------|------------------|
| <b>FINANCIAL ASSETS</b>   |                  |                  |
| Cash  | \$ 29            | \$ 53            |
| Accounts receivable   | 4,258            | 4,547            |
| Due from The City of Winnipeg - Land Operating Reserve (Note 3) | 10,000           | 10,000           |
| Due from The City of Winnipeg - General Revenue Fund (Note 4)   | -                | 201              |
|   | <b>14,287</b>    | 14,801           |
| <b>LIABILITIES</b>  |                  |                  |
| Due to The City of Winnipeg - General Revenue Fund (Note 4)     | 1,489            | -                |
| Accounts payable and accrued liabilities                        | 922              | 661              |
| Deferred revenue  | 115              | 191              |
| Debt (Note 5)   | 4,612            | 6,022            |
| Accrued employee benefits (Note 6)                              | 288              | 244              |
|   | <b>7,426</b>     | 7,118            |
| <b>NET FINANCIAL ASSETS</b>                                     | <b>6,861</b>     | 7,683            |
| <b>NON-FINANCIAL ASSETS</b>                                     |                  |                  |
| Tangible capital assets (Note 7)                                | 9,890            | 7,804            |
| Inventories   | 201              | 121              |
| Prepaid expenses  | 48               | 1                |
|   | <b>10,139</b>    | 7,926            |
| <b>ACCUMULATED SURPLUS (Note 8)</b>                             | <b>\$ 17,000</b> | <b>\$ 15,609</b> |
| Commitments (Note 9)  |                  |                  |

*See accompanying notes and schedule to the financial statements*

**THE CITY OF WINNIPEG**  
**WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY**

**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

*For the years ended December 31*  
*(in thousands of dollars)*

|   | <b>Budget<br/>2013<br/>(Unaudited)</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|---|--|------------------------|------------------------|
| <b>REVENUES</b>                                   |  |                        |                        |
| Enforcement (Note 10)                             | \$ 8,297                               | \$ 7,742               | \$ 8,190               |
| Meters  | 5,291                                  | 5,664                  | 5,186                  |
| Parking fees (Note 11a)                           |  |                        |                        |
| Surface parking lots                              | 1,113                                  | 1,362                  | 1,454                  |
| Millennium Library parkade                        | 681                                    | 580                    | 694                    |
| Civic Centre parkade                              | -                                      | 4                      | 608                    |
| Special events                                    | 95                                     | 300                    | 256                    |
| Parking permits                                   | 97                                     | 100                    | 80                     |
| Sundry  | -                                      | 44                     | 44                     |
| Total Revenues                                    | <b>15,574</b>                          | <b>15,796</b>          | 16,512                 |
| <b>EXPENSES</b>                                   |  |                        |                        |
| Services (Notes 11c, f, h and l)                  |  |                        |                        |
| Enforcement - contracts                           | 2,668                                  | 2,680                  | 2,609                  |
| Utilities   | 1,031                                  | 1,033                  | 1,133                  |
| Parkade management                                | 250                                    | 255                    | 313                    |
| Meters  | 40                                     | 32                     | 171                    |
| Special events                                    | 80                                     | 126                    | 94                     |
| Other services (Note 11e)                         | 2,513                                  | 2,404                  | 2,228                  |
| Salaries and employee benefits (Note 6)           | 2,675                                  | 2,371                  | 1,979                  |
| Amortization                                      | 1,622                                  | 1,546                  | 1,930                  |
| Material, parts and supplies                      | 1,365                                  | 1,192                  | 1,766                  |
| Provision for bad debts                           | 758                                    | 1,367                  | 1,219                  |
| Write-down of tangible capital assets             | -                                      | -                      | 963                    |
| Debt and finance charges (Notes 4 and 5b)         | 172                                    | 178                    | 216                    |
| Recoveries  | -                                      | (18)                   | (141)                  |
| Other (Notes 11b, d, g, j and k)                  | 1,310                                  | 1,239                  | 1,017                  |
| Total Expenses                                    | <b>14,484</b>                          | <b>14,405</b>          | 15,497                 |
| Excess Revenues over Expenses                     | <b>1,090</b>                           | <b>1,391</b>           | 1,015                  |
| <b>ACCUMULATED SURPLUS,<br/>BEGINNING OF YEAR</b> | <b>15,609</b>                          | <b>15,609</b>          | 14,594                 |
| <b>ACCUMULATED SURPLUS - END OF YEAR</b>          | <b>\$ 16,699</b>                       | <b>\$ 17,000</b>       | <b>\$ 15,609</b>       |

*See accompanying notes and schedule to the financial statements*

**THE CITY OF WINNIPEG**  
**WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY**

**STATEMENT OF CASH FLOWS**

*For the years ended December 31*

*(in thousands of dollars)*

|  | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b> |                     |                     |
| <b>OPERATING</b>   |                     |                     |
| Excess of revenues over expenses   | \$ 1,391            | \$ 1,015            |
| Non-cash items related to operations                                     |                     |                     |
| Write-down of tangible capital assets                                    | -                   | 963                 |
| Amortization   | 1,546               | 1,930               |
| Retirement allowance and compensated absences                            | -                   | (36)                |
|  | <u>2,937</u>        | <u>3,872</u>        |
| Net change in non-cash working capital balances related to operations    | <u>391</u>          | <u>99</u>           |
| Cash provided by operating activities                                    | <u>3,328</u>        | <u>3,971</u>        |
| <b>FINANCING</b>   |                     |                     |
| Change in due from/to The City of Winnipeg - General Revenue Fund        | 1,690               | (1,854)             |
| Repayment of debt  | <u>(1,410)</u>      | <u>(1,350)</u>      |
| Cash used in financing activities  | <u>280</u>          | <u>(3,204)</u>      |
| <b>CAPITAL</b>   |                     |                     |
| Purchase of tangible capital assets                                      | <u>(3,632)</u>      | <u>(801)</u>        |
| Cash used in capital activities  | <u>(3,632)</u>      | <u>(801)</u>        |
| <b>DECREASE IN CASH</b>  | <u>(24)</u>         | <u>(34)</u>         |
| <b>CASH, BEGINNING OF YEAR</b>   | <u>53</u>           | <u>87</u>           |
| <b>CASH, END OF YEAR</b>   | <u><u>\$ 29</u></u> | <u><u>\$ 53</u></u> |

*See accompanying notes and schedule to the financial statements*

**THE CITY OF WINNIPEG**  
**WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY**

**STATEMENT OF CHANGE OF NET FINANCIAL ASSETS**

*For the years ended December 31*  
*(in thousands of dollars)*

|   | <b>Budget<br/>2013<br/>(Unaudited)</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|---|--|------------------------|------------------------|
| <b><i>EXCESS REVENUES OVER EXPENSES</i></b>                   | <b>\$ 1,090</b>                        | <b>\$ 1,391</b>        | <b>\$ 1,015</b>        |
| Amortization of tangible capital assets                       | <b>1,622</b>                           | <b>1,546</b>           | 1,930                  |
| Change in inventories and prepaid expenses                    | -                                      | (127)                  | (1)                    |
| Write-down of tangible capital assets                         | -                                      | -                      | 963                    |
| Acquisition of tangible capital assets                        | <b>(2,366)</b>                         | <b>(3,632)</b>         | (801)                  |
| <b><i>INCREASE (DECREASE) IN NET<br/>FINANCIAL ASSETS</i></b> | <b>346</b>                             | <b>(822)</b>           | 3,106                  |
| <b><i>NET FINANCIAL ASSETS , BEGINNING OF YEAR</i></b>        | <b>3,629</b>                           | <b>7,683</b>           | 4,577                  |
| <b><i>NET FINANCIAL ASSETS, END OF YEAR</i></b>               | <b>\$ 3,975</b>                        | <b>\$ 6,861</b>        | <b>\$ 7,683</b>        |

*See accompanying notes and schedule to the financial statements*

# **THE CITY OF WINNIPEG**

## **WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY**

### **NOTES TO THE FINANCIAL STATEMENTS**

*December 31, 2013*

*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

#### **1. Description of Business**

On March 20, 1997, City Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, City Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, City Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by City Council.

The Winnipeg Parking Authority - Special Operating Agency ("the Agency") was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by The City of Winnipeg ("the City"). The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

#### **2. Significant Accounting Policies**

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

##### **a) Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

##### **b) Deferred revenue**

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or services performed.

##### **c) Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

## **2. Significant Accounting Policies (continued)**

### **i) Tangible capital assets**

Land and equipment were transferred January 1, 2005 from the City at a fair market value as determined by independent consultants.

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. The amortization rates are as follows:

|                                |          |
|--------------------------------|----------|
| Leasehold improvements         | 15 Years |
| Parking surfaces               | 5%       |
| Parkades                       | 4%       |
| Vehicles                       | 20%      |
| Meters and pay stations        | 10%      |
| Equipment                      | 10-20%   |
| Computer equipment             | 33%      |
| Office furniture and equipment | 20%      |
| Parkade betterments            | 5%       |

### **ii) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

### **iii) Inventories**

Inventories held for consumption is recorded at the lower of cost and replacement cost.

### **d) Employee benefit plan**

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

### **e) Use of estimates**

The preparation of financial statement in conformity with Canadian generally acceptable accounting principles requires management to make estimates. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

## **3. Due from The City of Winnipeg - Land Operating Reserve**

In 2010, Winnipeg Square Parkade was sold and the proceeds of disposition were deposited to The City of Winnipeg - Land Operating Reserve. There is no specific repayment terms on the receivable.

#### 4. *Due from/to The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account. The December 31, 2013 effective interest rate was 0.95% (2012 - 0.95%).

Interest paid from The City of Winnipeg General Revenue Fund on the line of credit was \$1 thousand for the year (2012 - received \$4 thousand).

#### 5. *Debt*

|  | <u>2013</u>            | <u>2012</u>            |
|--|------------------------|------------------------|
| <b>The City of Winnipeg - General Revenue Fund</b>   |                        |                        |
| Start-up loan with no specific terms of repayment  | \$ 3,918               | \$ 3,918               |
| <b>Equipment financing</b>   |                        |                        |
| Capital lease loans repayable in annual installments of \$181 thousand and to \$780 thousand, including an imputed interest rate of 4.5% with maturity dates between January 2013 and October 2013 | <u>694</u>             | <u>2,104</u>           |
|  | <u><u>\$ 4,612</u></u> | <u><u>\$ 6,022</u></u> |

a) Principal repayments on the equipment financing loans due to maturity are as follows:

2014    \$            694

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was \$nil (2012 - \$nil).

#### 6. *Accrued Employee Benefits*

##### a) **Retirement allowance, vacation and compensated absences**

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| Vacation   | \$ 177               | \$ 148               |
| Retirement allowance - accrued benefit liability | 83                   | 68                   |
| Compensated absences                             | <u>28</u>            | <u>28</u>            |
|  | <u><u>\$ 288</u></u> | <u><u>\$ 244</u></u> |

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 10.6 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

## 6. *Accrued Employee Benefits (continued)*

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2012. The results of this valuation were extrapolated to the financial reporting date of December 31, 2013 using year-end assumptions.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

|  | <b>2013</b>                 |                             | <b>2012</b>          |                      |
|--|-----------------------------|-----------------------------|----------------------|----------------------|
|  | <b>Retirement Allowance</b> | <b>Compensated Absences</b> | Retirement Allowance | Compensated Absences |
| Accrued benefit liability:                   |                             |                             |                      |                      |
| Balance, beginning of year                   | \$ 101                      | \$ 13                       | \$ 103               | \$ 12                |
| Current service cost                         | 7                           | 1                           | 7                    | 1                    |
| Interest cost                                | 4                           | 1                           | 4                    | -                    |
| Benefit payments                             | -                           | -                           | (48)                 | -                    |
| Net actuarial (gain)/loss                    | (9)                         | -                           | 35                   | -                    |
| Balance, end of year                         | 103                         | 15                          | 101                  | 13                   |
| Unamortized net actuarial (loss)/gain        | (20)                        | 13                          | (33)                 | 15                   |
| Accrued benefit liability                    | <u>\$ 83</u>                | <u>\$ 28</u>                | <u>\$ 68</u>         | <u>\$ 28</u>         |
| Benefit expense:                             |                             |                             |                      |                      |
| Current service cost                         | \$ 7                        | \$ 1                        | \$ 7                 | \$ 1                 |
| Interest cost                                | 4                           | 1                           | 4                    | -                    |
| Amortization of net actuarial (gain)/loss    | -                           | -                           | -                    | -                    |
|  | 4                           | (2)                         | 1                    | (1)                  |
|  | <u>\$ 15</u>                | <u>\$ -</u>                 | <u>\$ 12</u>         | <u>\$ -</u>          |
| Reconciliation of accrued benefit liability: |                             |                             |                      |                      |
| Balance, beginning of year                   | \$ 68                       | \$ 28                       | \$ 104               | \$ 28                |
| Benefit expense                              | 15                          | -                           | 12                   | -                    |
| Benefit payments                             | -                           | -                           | (48)                 | -                    |
|  | <u>\$ 83</u>                | <u>\$ 28</u>                | <u>\$ 68</u>         | <u>\$ 28</u>         |

The significant actuarial assumptions adopted in measuring the accrued benefit liability for the year ended December 31 are as follows:

|                          | <b>2013</b>  | <b>2012</b> |
|--------------------------|--------------|-------------|
| Valuation interest rate  | <b>3.70%</b> | 3.60%       |
| General increases in pay | <b>3.50%</b> | 3.50%       |

### **b) Pension**

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$175 thousand (2012 - \$141 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2012 and it has an actuarial surplus.



## 7. *Tangible Capital Assets*

|                                | <b>Net Book Value</b> |                 |
|--------------------------------|-----------------------|-----------------|
|                                | <b>2013</b>           | <b>2012</b>     |
| Land                           | \$ 73                 | \$ 73           |
| Parkades                       | 4,380                 | 1,301           |
| Authority assets               |                       |                 |
| Leasehold improvements         | 280                   | 316             |
| Parking surfaces               | 324                   | 345             |
|                                | <b>604</b>            | <b>661</b>      |
| Equipment                      |                       |                 |
| Vehicles                       | 21                    | 63              |
| Meters and pay stations        | 4,487                 | 5,144           |
| Equipment                      | 255                   | 369             |
| Computer equipment             | 59                    | 170             |
| Office furniture and equipment | 11                    | 23              |
|                                | <b>4,833</b>          | <b>5,769</b>    |
|                                | <b>\$ 9,890</b>       | <b>\$ 7,804</b> |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

During the year, \$nil (2012 - \$963 thousand) of tangible capital assets were written-down.

## 8. *Accumulated Surplus*

|                     | <b>Budget<br/>2013<br/>(Unaudited)</b> | <b>Actual<br/>2013</b> | <b>Actual<br/>2012</b> |
|---------------------|--|------------------------|------------------------|
| Capital             | \$ 15,185                              | \$ 15,185              | \$ 15,185              |
| Contributed surplus | 172                                    | 172                    | 172                    |
| Operating           | 1,342                                  | 1,643                  | 252                    |
|                     | <b>\$ 16,699</b>                       | <b>\$ 17,000</b>       | <b>\$ 15,609</b>       |

## 9. *Commitments*

The Agency has entered into lease agreements mainly for the lease of vehicles. Future minimum annual lease payments are as follows:

|                     | <b>Operating<br/>Leases</b> |
|---------------------|-----------------------------|
| 2014                | \$ 92                       |
| 2015                | 61                          |
| 2016                | 34                          |
| 2017 and thereafter | 18                          |
|                     | <b>\$ 205</b>               |

## 10. *Enforcement Revenue*

Prior to 2005, enforcement revenue was accounted for using the cash basis of accounting by the City. At January 1, 2005 a gross enforcement receivable was estimated at \$12,182 thousand, which was assumed by the Agency, and a corresponding allowance for doubtful accounts set up. The Agency accounted for \$59 thousand (2012 - \$105 thousand) during 2013.

## **11. Related Party Transactions**

The Agency is wholly-owned by the City. Transactions between the Agency and the City are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- a) Revenues include sales of \$329 thousand (2012 - \$551 thousand) to the City.
- b) An amount of \$37 thousand (2012 - \$37 thousand) for general government charges has been included and paid to The City of Winnipeg General Revenue Fund which represents the estimated share of the City's general expenses applicable to the Agency.
- c) In Services, an amount of \$137 thousand (2012 - \$127 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.
- d) An amount of \$286 thousand (2012 - \$279 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of information technology, finance and human resources support services.
- e) An amount of \$114 thousand (2012 - \$122 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various locations.
- f) In Services, an amount of \$48 thousand (2012 - \$48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.
- g) An amount of \$418 thousand (2012 - \$407 thousand) has been transferred to The City of Winnipeg General Revenue Fund for payments-in-lieu of municipal taxes. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned.
- h) In Services, an amount of \$372 thousand (2012 - \$362 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance, fuel, maintenance and rental on vehicles owned/leased by the Agency.
- i) In accounts receivable, an amount of \$nil (2012 - \$nil) is included for parking charges owing from the City.
- j) An amount of \$133 thousand (2012 - \$133 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost for 311 services.
- k) An amount of \$42 thousand (2012 - \$42 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.
- l) In Services, an amount of \$24 thousand (2012 - \$nil) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for flange repairs made to paystations.

# THE CITY OF WINNIPEG

## WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

Schedule 1

### SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31  
(in thousands of dollars)

|  | Land         | Parkades        | Authority<br>Assets | Equipment       | Total<br>2013   | Total<br>2012   |
|--|--------------|-----------------|---------------------|-----------------|-----------------|-----------------|
| <b>Cost</b>                                      |              |                 |                     |                 |                 |                 |
| Balance, beginning of year                       | \$ 73        | \$ 1,773        | \$ 998              | \$ 11,695       | \$ 14,539       | \$ 15,046       |
| Add:   |              |                 |                     |                 |                 |                 |
| Additions during the year                        | -            | 3,231           | -                   | 401             | 3,632           | 801             |
| Less:  |              |                 |                     |                 |                 |                 |
| Write-down of tangible capital assets            | -            | -               | -                   | -               | -               | (1,308)         |
| Disposals during the year                        | -            | -               | -                   | -               | -               | -               |
| Balance, end of year                             | <b>73</b>    | <b>5,004</b>    | <b>998</b>          | <b>12,096</b>   | <b>18,171</b>   | <b>14,539</b>   |
| <b>Accumulated amortization</b>                  |              |                 |                     |                 |                 |                 |
| Balance, beginning of year                       | -            | 472             | 337                 | 5,926           | 6,735           | 5,150           |
| Add:   |              |                 |                     |                 |                 |                 |
| Amortization                                     | -            | 152             | 58                  | 1,336           | 1,546           | 1,930           |
| Less:  |              |                 |                     |                 |                 |                 |
| Write-down of tangible capital assets            | -            | -               | -                   | -               | -               | (345)           |
| Accumulated amortization on disposals            | -            | -               | -                   | -               | -               | -               |
| Balance, end of year                             | -            | 624             | 395                 | 7,262           | 8,281           | 6,735           |
| <b>Net Book Value of Tangible Capital Assets</b> | <b>\$ 73</b> | <b>\$ 4,380</b> | <b>\$ 603</b>       | <b>\$ 4,834</b> | <b>\$ 9,890</b> | <b>\$ 7,804</b> |

2013 WHOLLY OWNED CORPORATIONS



PHOTO: Zyron Paul Felix

DETAILED FINANCIAL STATEMENTS

# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF REVENUES AND EXPENDITURES

*Year Ended December 31*

|  | <u>2013</u>       | <u>2012</u>       |
|--|-------------------|-------------------|
| Operating revenue (Note 16)  | \$ 13,432,647     | \$ 12,612,158     |
| Operating costs  | <u>6,412,597</u>  | <u>6,037,924</u>  |
| Net operating revenue  | <u>7,020,050</u>  | <u>6,574,234</u>  |
| General operating grant (Note 15)  |                   |                   |
| City of Winnipeg   | 1,500,000         | 1,530,806         |
| Province of Manitoba   | <u>1,406,000</u>  | <u>1,406,000</u>  |
|  | <u>2,906,000</u>  | <u>2,936,806</u>  |
|  | <u>9,926,050</u>  | <u>9,511,040</u>  |
| Expenditures   |                   |                   |
| Accounting and financial services and human resources                              | 835,478           | 755,805           |
| Administration   | 1,945,348         | 1,821,385         |
| Building maintenance   | 3,712,714         | 3,533,700         |
| Client services  | 1,118,126         | 998,578           |
| Sales and promotion  | 918,421           | 943,105           |
| Security   | <u>489,737</u>    | <u>494,108</u>    |
|  | <u>9,019,824</u>  | <u>8,546,681</u>  |
| Excess of revenue over expenditures before the under-noted                         | 906,226           | 964,359           |
| City of Winnipeg debt servicing grants   |                   |                   |
| Debentures (Note 15)   | 423,837           | 434,442           |
| Recognition of deferred contributions related to capital assets (Notes 6, 7 and 8) | 750,778           | 818,025           |
| Amortization of capital assets (Note 3)  | (1,287,336)       | (1,464,617)       |
| Interest on City of Winnipeg debentures  | <u>(156,145)</u>  | <u>(178,949)</u>  |
| Excess of revenue over expenditures  | <u>\$ 637,360</u> | <u>\$ 573,260</u> |

*See accompanying notes to the financial statements*

# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF FUND BALANCES

*Year ended December 31*

|                                     | <u>2013</u>                       | <u>2012</u>                |
|-------------------------------------|-----------------------------------|----------------------------|
| <b>BALANCE</b> , beginning of year  | \$ <b>2,870,197</b>               | \$ 2,296,937               |
| Excess of revenue over expenditures | <u><b>637,360</b></u>             | <u>573,260</u>             |
| <b>BALANCE</b> , end of year        | <u><u><b>\$ 3,507,557</b></u></u> | <u><u>\$ 2,870,197</u></u> |

*See accompanying notes to the financial statements*

# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF FINANCIAL POSITION

December 31

|  | 2013                 | 2012                 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current  |                      |                      |
| Cash   | \$ 8,196,393         | \$ 2,379,929         |
| Accounts receivable  | 1,395,425            | 1,272,242            |
| Receivable - expansion (Note 9)  | 6,147,510            | 4,924,207            |
| Inventory  | 203,714              | 207,722              |
| Prepaid expenses   | 182,764              | 54,407               |
|  | <b>16,125,806</b>    | 8,838,507            |
| Long-term prepaid expenses   | 149,087              | -                    |
| Capital assets (Note 3)  | 44,605,383           | 14,956,617           |
| Deferred expansion costs (Note 3)  | -                    | 6,336,538            |
|  | <b>\$ 60,880,276</b> | <b>\$ 30,131,662</b> |
| <b>LIABILITIES</b>   |                      |                      |
| Current  |                      |                      |
| Accounts payable and accrued liabilities                                   | \$ 2,545,472         | \$ 2,547,737         |
| Accounts payable related to expansion                                      | 3,035,710            | 4,685,945            |
| Customer deposits and unearned revenue                                     | 597,347              | 609,439              |
| Advance - expansion (Note 9)   | 8,366,436            | -                    |
| Current portion of City of<br>Winnipeg debentures (Note 5)                 | 232,827              | 258,821              |
|  | <b>14,777,792</b>    | 8,101,942            |
| City of Winnipeg debentures (Note 5)                                       | 139,645              | 372,472              |
| Deferred contributions related to capital assets (Note 6)                  | 327,715              | 622,473              |
| Deferred funding - wall cladding replacement and<br>stabilization (Note 7) | 2,947,082            | 3,277,041            |
| Deferred funding - roof replacement (Note 8)                               | 2,837,269            | 2,963,330            |
| Deferred funding - expansion (Note 9)                                      | 29,343,216           | 4,924,207            |
| Due to Province of Manitoba (Note 10)                                      | 7,000,000            | 7,000,000            |
|  | <b>57,372,719</b>    | 27,261,465           |
| <b>FUND BALANCES</b>   |                      |                      |
| Operating fund (Note 11)   | 520,200              | 510,000              |
| Restricted fund (Note 12)  | 1,213,527            | 1,901,583            |
| Invested in capital assets (Note 13)                                       | 1,773,830            | 458,614              |
|  | <b>3,507,557</b>     | 2,870,197            |
|  | <b>\$ 60,880,276</b> | <b>\$ 30,131,662</b> |
| Commitments (Note 19)  |                      |                      |

See accompanying notes to the financial statements

# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF CASH FLOWS

Year ended December 31

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| Increase (decrease) in cash and cash equivalents                |                            |                            |
| <b>OPERATING</b>  |                            |                            |
| Excess of revenue over expenditures                             | \$ 637,360                 | \$ 573,260                 |
| Adjustments for:  |                            |                            |
| amortization of capital assets                                  | 1,287,336                  | 1,464,617                  |
| recognition of deferred contributions related to capital assets | <u>(750,778)</u>           | <u>(818,025)</u>           |
|   | 1,173,918                  | 1,219,852                  |
| Net changes in working capital balances                         |                            |                            |
| Accounts receivable   | (123,183)                  | (31,747)                   |
| Expansion funding receivable                                    | (1,223,303)                | (4,924,207)                |
| Roof replacement funding receivable                             | -                          | 1,428,072                  |
| Inventory   | 4,008                      | (24,644)                   |
| Prepaid expenses  | (128,357)                  | 12,168                     |
| Long-term prepaid expenses                                      | (149,087)                  | -                          |
| Accounts payable and accrued liabilities                        | (2,265)                    | (140,949)                  |
| Accounts payable related to expansion                           | (1,650,235)                | 4,685,945                  |
| Customer deposits and unearned revenue                          | <u>(12,092)</u>            | <u>107,908</u>             |
|   | <u>(2,110,596)</u>         | <u>2,332,398</u>           |
| <b>FINANCING</b>  |                            |                            |
| City of Winnipeg debenture repayments                           | (258,821)                  | (255,910)                  |
| Debt to Province of Manitoba for land purchase                  | <u>-</u>                   | <u>7,000,000</u>           |
|   | <u>(258,821)</u>           | <u>6,744,090</u>           |
| <b>CAPITAL</b>  |                            |                            |
| Deferred expansion costs  | -                          | (6,022,505)                |
| Major repair and replacement expenditures                       | (140,754)                  | (277,003)                  |
| Expansion costs   | (24,458,810)               | -                          |
| Deferred funding received in year                               | -                          | 277,902                    |
| Land purchase   | -                          | (7,130,880)                |
| Advance of expansion funding received                           | 8,366,436                  | -                          |
| Deferred funding for expansion                                  | <u>24,419,009</u>          | <u>4,924,207</u>           |
|   | <u>8,185,881</u>           | <u>(8,228,279)</u>         |
| <b>NET INCREASE (DECREASE) IN CASH</b>                          | <b>5,816,464</b>           | <b>848,209</b>             |
| Cash and cash equivalents, net of bank indebtedness             |                            |                            |
| Beginning of year   | <u>2,379,929</u>           | <u>1,531,720</u>           |
| End of year   | <u><u>\$ 8,196,393</u></u> | <u><u>\$ 2,379,929</u></u> |

See accompanying notes to the financial statements



# THE CONVENTION CENTRE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

### 1. *Nature of Operations*

The Corporation was incorporated by special act under the laws of Manitoba to operate and promote the Winnipeg Convention Centre. The Corporation is a not-for-profit organization and is therefore not subject to income taxes.

### 2. *Summary of Significant Accounting Policies*

#### **Basis of accounting**

The Corporation's financial statements are prepared in accordance with Canadian public sector accounting standards in the CICA Public Sector Accounting Handbook. The Corporation has elected to apply the accounting standard recommendations applicable solely to government not-for-profit organizations in Sections PS 4200 to PS 4270 of the CICA Public Sector Accounting Handbook.

#### **Fund method of accounting**

Under the fund method of accounting the excess of revenue over expenditures is allocated to the Operating Fund. Any additions to the Operating Fund may be transferred to the Restricted Fund for future expenditures or major repairs and replacements by Board of Directors resolution. It is the policy of the Corporation to retain a defined sufficient amount in the Operating Fund to fund future operations, and if necessary, to transfer funds from the Restricted Fund to meet the defined objective.

As major repairs and replacements are acquired, a like amount is transferred from the Restricted Fund to the Invested in Capital Asset Fund. Capital expenditures related to the expansion are transferred from the Operating Fund to the Invested in Capital Asset Fund as these costs are considered a special project not to be funded by the Restricted Fund. The Invested in Capital Asset Fund is reduced by the amortization of such assets and the amount amortized is transferred to the operating fund. The resulting balance represents the unamortized investment in major repairs and replacements net of amounts funded by grants.

#### **Cash**

Cash and cash equivalents consist of bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

#### **Inventory**

Food and beverage inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

#### **Capital assets**

Capital assets are recorded at cost.

## 2. *Summary of Significant Accounting Policies (continued)*

Amortization is calculated at the following rates and basis:

|   |  |
|---|--|
| Major capital expenditures                  | - at rate of related debenture repayment |
| Revitalization program                      | - at rate of debenture repayment         |
| Major repair and replacement                | - on a straight line basis over 5 years  |
| Wall cladding replacement and stabilization | - on a straight line basis over 20 years |
| Roof replacement                            | - on a straight line basis over 25 years |

When the Corporation recognizes that a capital asset no longer has any long-term service potential, the excess of net carrying amount of the capital asset over its residual value is recognized as an expense in the statement of revenues and expenditures.

### **Revenue recognition**

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably assured.

Operating revenue, which consists mainly of room rentals and food and beverage sales from events held at the Winnipeg Convention Centre, are recognized as revenue when the events are held.

### **Vacation pay and sick leave entitlement**

Vacation pay and sick leave entitlements are accrued and expensed as the amounts are earned.

### **Financial instruments**

The Corporation applies the recommendations of Sections PS 1201, Financial Statement Presentation, and PS 3450, Financial Instruments, of the CICA Public Sector Accounting Handbook.

#### *Initial measurement*

The Corporation recognizes a financial asset or a financial liability on the statement of financial position when, and only when, it becomes a party to the contractual provisions of the financial instrument. Unless otherwise stated, financial assets and liabilities are initially measured at cost.

The Corporation's financial instruments consist of cash, accounts receivable, expansion funding receivable, accounts payable and accrued liabilities, accounts payable related to the expansion, the City of Winnipeg debentures, and the payable to the Province of Manitoba.

#### *Subsequent measurement*

At each reporting date, the Corporation measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

The Corporation determines whether there is any objective evidence of impairment of the financial assets. Any financial asset impairment is recognized in the statement of revenues and expenditures.

## 2. *Summary of Significant Accounting Policies (continued)*

### **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

## 3. *Capital Assets*

|   | <b>Cost</b>          | <b>Accumulated<br/>Depreciation</b> | <b>Net Book Value</b> |                      |
|---|----------------------|-------------------------------------|-----------------------|----------------------|
|   |                      |                                     | <b>2013</b>           | <b>2012</b>          |
| Land                                    | \$ 7,130,880         | \$ -                                | \$ 7,130,880          | \$ 7,130,880         |
| Major capital expenditures              | 2,000,000            | 1,983,182                           | 16,818                | 61,061               |
| Revitalization program                  |                      |                                     |                       |                      |
| City of Winnipeg portion                | 3,000,000            | 2,644,345                           | 355,655               | 570,233              |
| Province of Manitoba portion            | 2,000,000            | 1,755,789                           | 244,211               | 387,263              |
| Major repair and replacement            | 12,700,818           | 12,593,245                          | 107,573               | 537,009              |
| Wall cladding replacement               | 6,599,175            | 3,652,093                           | 2,947,082             | 3,277,041            |
| Roof replacement                        | 3,140,880            | 303,611                             | 2,837,269             | 2,963,330            |
| Expansion project under<br>construction | 30,795,341           | -                                   | 30,795,341            |                      |
| Art holdings                            | 32,600               | -                                   | 32,600                | 29,800               |
|   | <b>\$ 67,399,694</b> | <b>\$ 22,932,265</b>                | <b>\$ 44,467,429</b>  | <b>\$ 14,956,617</b> |

### **Major capital expenditures**

Major capital expenditures represent expenditures for major capital projects incurred in the years 1987 to 1995 inclusive.

Major capital expenditures are carried at cost and are equal to the related debentures (Note 5). The costs are amortized in an amount equal to the principal repayments on the related debentures, which approximates the estimated useful life of the assets.

### **Revitalization program**

In the years 1991 to 1996 inclusive, the Corporation incurred costs for revitalization programs funded by the City of Winnipeg and the Province of Manitoba.

#### **City of Winnipeg portion**

The revitalization programs expenditures funded by the City are carried at cost and are equal to the related debentures (Note 5). The costs are amortized in an amount equal to the principal repayments on the debentures, which approximates the estimated useful life of the assets.

#### **Province of Manitoba portion**

The revitalization programs funded by the Province are carried at cost and amortized at the same rate as the City of Winnipeg revitalization program assets.

### 3. *Capital Assets (continued)*

#### **Major repair and replacement**

A portion of major repairs and replacements incurred after 1993 have been funded by grants from the City of Winnipeg and the Province of Manitoba. The assets are carried at cost and amortized over their estimated useful life. The funded portion included with deferred contributions related to capital assets, is recognized on the same basis.

#### **Wall cladding replacement and stabilization**

This amount represents the expenditures for the replacement of the exterior tyndall stone cladding of the Winnipeg Convention Centre. Pursuant to a funding agreement dated March 21, 2002, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project up to \$6.6 million.

The expenditures are carried at cost and are being amortized on a straight line basis over 20 years. The funding for this project is recorded as deferred revenue and will be amortized to income at the same rate as the asset is amortized.

#### **Roof replacement**

This amount represents the expenditures for the replacement of the roof of the Winnipeg Convention Centre. Pursuant to a funding agreement dated August 4, 2011, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project up to \$3,646,435.

The expenditures are carried at cost and are being amortized on a straight line basis over 25 years, with one-half of the annual amortization claimed in the year the construction was commenced. The funding for this project is recorded as deferred revenue and will be amortized to income at the same rate as the asset is amortized.

#### **Expansion project under construction**

This amount represents the expenditures for the expansion of the existing facility. A portion of these costs were previously deferred until construction commenced and include design, project management, legal, insurance, and other related costs. Once construction is complete, the costs will be amortized over the useful life of the assets. The funding for the project is recorded as deferred revenue and will be amortized to income at the same rate as the asset is amortized.

Interest on directly attributable debt is capitalized during the construction period. Interest in the amount of \$55,872 (2012: \$nil) was capitalized during the year and included in the expansion project under construction balance.

#### **Amortization expenses**

|                              | <b>2013</b>         | 2012                |
|------------------------------|---------------------|---------------------|
| Major capital expenditures   | \$ 44,243           | \$ 51,551           |
| Revitalization program:      |                     |                     |
| City of Winnipeg portion     | 214,578             | 204,359             |
| Province of Manitoba portion | 143,052             | 136,240             |
| Major repair and replacement | 429,443             | 622,218             |
| Wall cladding replacement    | 329,959             | 329,959             |
| Roof replacement             | 126,061             | 120,290             |
|                              | <b>\$ 1,287,336</b> | <b>\$ 1,464,617</b> |

#### 4. Demand Operating Loan

The Corporation has a demand operating loan credit facility from the Royal Bank of Canada of \$250,000, which bears interest at the bank's prime rate and is secured by a general security agreement. The balance at December 31, 2013 and December 31, 2012 is nil.

#### 5. City of Winnipeg Debentures

|   | <b>Debenture</b>    | <b>Sinking Fund</b> | <b>Net of Sinking Fund 2013</b> | <b>Net of Sinking Fund 2012</b> |
|---|---------------------|---------------------|---------------------------------|---------------------------------|
| <b>For revitalization program expenditures:</b>   |                     |                     |                                 |                                 |
| Bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of \$90,728 earning interest at 5%  | \$ 3,000,000        | \$ 2,639,733        | \$ 360,267                      | \$ 574,855                      |
| <b>For major capital expenditures:</b>  |                     |                     |                                 |                                 |
| Sinking Fund Debenture, bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of \$3,024 earning interest at 5%   | 100,000             | 87,795              | 12,205                          | 19,358                          |
| Sinking Fund Debenture, bearing interest at 9.375%, maturing February 11, 2013, with annual Sinking Fund contributions of \$6,805 earning interest at 5%  | 225,000             | 225,000             | -                               | 8,000                           |
| Serial Debenture. Principal payments vary under the terms of the debenture, payable January 17th yearly, ending in 2013. The debenture bears interest between 3.05% and 5.35% per annum with interest payable semi-annually | -                   | -                   | -                               | 29,080                          |
|   | <u>\$ 3,325,000</u> | <u>2,952,528</u>    | 372,472                         | 631,293                         |
| Current portion   |                     |                     | <u>232,827</u>                  | <u>258,821</u>                  |
|   |                     |                     | <u>\$ 139,645</u>               | <u>\$ 372,472</u>               |

## 5. *City of Winnipeg Debentures (continued)*

Principal due within each of the next two years is as follows:

|      |    |         |
|------|----|---------|
| 2014 | \$ | 232,827 |
| 2015 | \$ | 139,645 |

Debt service costs will be funded by grants from the City of Winnipeg. The Corporation annually allocates an amount from grants received from the City of Winnipeg to cover debt service costs and the grants are recorded to income when those costs are incurred.

## 6. *Deferred Contributions Related to Capital Assets*

Deferred contributions related to capital assets represent externally restricted contributions including the provincial portion of the revitalization program assets and funds granted for major repair and replacement assets. These amounts are recognized as income as the related assets are amortized.

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| Beginning balance   | \$ 622,473        | \$ 990,249        |
| Deduct amounts recognized as revenue:                     |                   |                   |
| Major repair and replacement expenditures                 | (151,594)         | (227,669)         |
| Provincial portion of revitalization program expenditures | (143,164)         | (140,107)         |
|   | <u>\$ 327,715</u> | <u>\$ 622,473</u> |

## 7. *Deferred Funding - Wall Cladding Replacement and Stabilization*

Deferred funding - wall cladding replacement and stabilization represent restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the wall cladding replacement and stabilization project more fully disclosed in Note 3. This amount is being amortized into income as the related asset is amortized.

|                                    | <u>2013</u>         | <u>2012</u>         |
|------------------------------------|---------------------|---------------------|
| Beginning balance                  | \$ 3,277,041        | \$ 3,607,000        |
| Deduct amount amortized to revenue | (329,959)           | (329,959)           |
|                                    | <u>\$ 2,947,082</u> | <u>\$ 3,277,041</u> |

## 8. *Deferred Funding - Roof Replacement*

Deferred funding - roof replacement represents restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the roof replacement project more fully disclosed in Note 3. This amount is being amortized into income as the related asset is amortized.

|                                    | <u>2013</u>         | <u>2012</u>         |
|------------------------------------|---------------------|---------------------|
| Beginning balance                  | \$ 2,963,330        | \$ 2,805,717        |
| Additions in the year              | -                   | 277,903             |
| Deduct amount amortized to revenue | (126,061)           | (120,290)           |
|                                    | <u>\$ 2,837,269</u> | <u>\$ 2,963,330</u> |

## 9. *Receivable - Expansion; Advance - Expansion; Deferred Funding - Expansion*

The expansion is being funded by contributions from the City of Winnipeg, Province of Manitoba, Government of Canada and by the corporation. The funding received is being deferred until the completion of the project and will be amortized on the same basis as the related asset. Deferred funding - expansion at December 31 are as follows:

|                      | <b>2013</b>          | <b>2012</b>         |
|----------------------|----------------------|---------------------|
| City of Winnipeg     | \$ <b>4,203,926</b>  | \$ 1,638,065        |
| Province of Manitoba | <b>9,780,084</b>     | 1,641,238           |
| Government of Canada | <b>15,359,206</b>    | 1,644,904           |
|                      | <b>\$ 29,343,216</b> | <b>\$ 4,924,207</b> |

During the year, the Province of Manitoba advanced a portion of their funding requirement for which eligible expenditures had not yet been incurred. As eligible expenditures arise, the advance will be utilized.

Certain funding requirements were due at December 31 as follows:

|                      | <b>2013</b>         | <b>2012</b>         |
|----------------------|---------------------|---------------------|
| City of Winnipeg     | \$ <b>205,298</b>   | \$ 1,638,065        |
| Province of Manitoba | -                   | 1,641,238           |
| Government of Canada | <b>5,942,212</b>    | 1,644,904           |
|                      | <b>\$ 6,147,510</b> | <b>\$ 4,924,207</b> |

## 10. *Due to Province of Manitoba*

Pursuant to an agreement during the prior year, the Province of Manitoba sold land to the City of Winnipeg, for the purpose of the expansion of the Centre. The City of Winnipeg is the registered owner of the land. However, the Centre, as the beneficial owner of the land, agreed to pay the \$7,000,000 purchase price to the Province of Manitoba. The purchase price will be payable at the earliest of:

- five business days after the date on which the Province of Manitoba has reimbursed the Corporation for not less than the difference between \$51,000,000 and the balance to close of eligible costs under the contribution agreement entered into between the Province of Manitoba and the Corporation for the expansion,
- five business days after the date of substantial completion of the expansion, or
- December 31, 2015.

## 11. *Operating Fund*

Transactions in the operating fund during the year are as follows:

|  | <b>2013</b>        | <b>2012</b>       |
|--|--------------------|-------------------|
| Opening balance  | \$ <b>510,000</b>  | \$ 836,247        |
| Excess of revenues over expenditures   | <b>637,360</b>     | 573,260           |
| Capital assets (expansion project costs) purchased in the year, net of externally restricted amounts | <b>(1,452,125)</b> | -                 |
| Amortization of invested in capital assets   | <b>277,663</b>     | 394,549           |
| Transfer of funds internally restricted for capital assets expenditures                              | <b>547,302</b>     | (1,294,056)       |
|  | <b>\$ 520,200</b>  | <b>\$ 510,000</b> |

## 12. *Restricted Fund*

The restricted fund represents the excess of revenues over expenditures that are internally restricted by board resolution for future expenditures on capital assets. The fund is reduced by annual expenditures on capital assets net of any externally restricted amounts.

|  | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|
| Opening balance  | \$ 1,901,583        | \$ 737,509          |
| Capital assets purchased in the year, net of externally restricted amounts | (140,754)           | (129,982)           |
| Transfer of funds internally restricted for capital asset expenditures     | (547,302)           | 1,294,056           |
|  | <u>\$ 1,213,527</u> | <u>\$ 1,901,583</u> |

## 13. *Invested in Capital Assets*

Invested in capital assets represents total capital assets less amounts amortized less specific deferred contributions.

|   | <u>2013</u>         | <u>2012</u>       |
|---|---------------------|-------------------|
| Opening balance   | \$ 458,614          | \$ 723,181        |
| Capital assets purchased in the year, net of disposals  | 140,754             | 7,407,884         |
| Expansion project assets purchased in the year          | 30,795,341          | -                 |
| Deferred contributions related to the expansion project | (29,343,216)        | -                 |
| Deferred funding - roof replacement                     | -                   | (277,902)         |
| Debt related to land purchase                           | -                   | (7,000,000)       |
|   | <u>1,592,879</u>    | <u>129,982</u>    |
| Amortization of invested in capital assets              | (277,663)           | (394,549)         |
|   | <u>\$ 1,773,830</u> | <u>\$ 458,614</u> |

## 14. *Expansion Funding*

In order to finance the cost of the expansion, the Corporation has entered into an agreement with the Province of Manitoba for funding of up to \$51,000,000. Agreements with the City of Winnipeg and Government of Canada were also signed for funding of up to \$51,000,000 and \$46,646,667, respectively.

Effective January 11, 2013, the Corporation has entered into a credit agreement with the Royal Bank of Canada to secure financing of \$33,000,000 in order to fund its portion of the future expansion costs. This financing can be taken as a risk based pricing loan or fixed rate term loan. These funds can be accessed by the Corporation at any time, with the interest rate to be determined at the time funds are withdrawn. This expansion financing is secured by a promissory note signed by the Corporation for \$33,000,000, a general security agreement, and a guarantee from the City of Winnipeg. The balance of this credit agreement at year-end is \$nil (2012 - \$nil).



## 15. Grants

The Corporation operates with the assistance of grants from the City of Winnipeg and the Province of Manitoba.

|                                      | <u>2013</u>         | <u>2012</u>         |
|--------------------------------------|---------------------|---------------------|
| City of Winnipeg                     | \$ 1,923,837        | \$ 1,965,248        |
| Province of Manitoba                 | <u>1,406,000</u>    | <u>1,406,000</u>    |
|                                      | <u>\$ 3,329,837</u> | <u>\$ 3,371,248</u> |
| The grants are allocated as follows: |                     |                     |
| General operating grant              | \$ 2,906,000        | \$ 2,936,806        |
| Debt service                         |                     |                     |
| - City of Winnipeg debenture         | <u>423,837</u>      | <u>434,442</u>      |
|                                      | <u>\$ 3,329,837</u> | <u>\$ 3,371,248</u> |

## 16. Related Party Transactions

In addition to the grants and contributions received from the City of Winnipeg and the Province of Manitoba (Notes 6, 7, 8, 9 and 14), the City of Winnipeg debentures (Note 5), and the payable to the Province of Manitoba (Note 10), the Corporation had the following transactions with these related parties during the year.

Operating revenues of \$492,183 related to events held at the Winnipeg Convention Centre.

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 17. Financial Instruments

### Financial risk management objectives and policies

The Corporation is exposed to various financial risks resulting from its operating, investing and financing activities. The Corporation's management manages financial risks.

During the year, there were no changes to the financial instrument risk management policies, procedures and practices. The means used by the Corporation to manage each of the financial risks are described in the following paragraphs.

### Credit risk

The Corporation is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Corporation has determined that the financial assets with more credit risk exposure are trade and other receivables since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Corporation.

The trade and other receivable balances are managed and analyzed on an ongoing basis and, accordingly, the Corporation's exposure to doubtful accounts is not significant.

## 17. Financial Instruments (continued)

The credit risk regarding cash and cash equivalents is considered to be negligible because they are held by reputable financial institutions with an investment grade external credit rating.

The carrying amount on the statement of financial position of the Corporation's financial assets exposed to credit risk represents the maximum amount exposed to credit risk.

The Corporation's management considers that all the above financial assets that are not impaired or past due are of good credit quality. None of the Corporation's financial assets are secured by a collateral instrument or other form of credit enhancement. There are no impaired financial assets or significant past due amounts as at December 31, 2013 and December 31, 2012.

### Market risk

The Corporation's financial instruments expose it to market risk, in particular, interest rate risk.

#### *Interest rate risk*

The Corporation is exposed to interest rate risk with respect to financial liabilities bearing fixed and variable interest rates. The City of Winnipeg debentures bear interest at fixed rates and the Corporation is, therefore, subject to fair value risk.

The Corporation is not exposed to significant currency or other price risk.

### Liquidity risk

The Corporation's liquidity risk represents the risk that the Corporation could encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Corporation has financing sources for a sufficient authorized amount. The Corporation establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations.

As at December 31, 2013, the Corporation's contractual maturities for financial liabilities (including any interest payments) are as follows:

|  | Due within<br>1 year | Due in<br>1-5 years |
|--|----------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 5,581,182         | \$ -                |
| City of Winnipeg debentures              | 232,827              | 139,645             |
| Payable to Province of Manitoba          | -                    | 7,000,000           |
|  | <u>\$ 5,814,009</u>  | <u>\$ 7,139,645</u> |

## 18. Comparison to Budgeted Results

|  | Actual<br>2013 | Budget<br>2013<br>(Unaudited) | Variance   |
|--|----------------|-------------------------------|------------|
| Operating revenue  | \$ 13,432,647  | \$ 12,886,131                 | \$ 546,516 |
| Operating costs  | 6,412,597      | 6,049,901                     | 362,696    |
| Net operating revenue  | 7,020,050      | 6,836,230                     | 183,820    |
| General Operating Grant                                      | 3,329,837      | 3,360,644                     | (30,807)   |
|  | 10,349,887     | 10,196,874                    | 153,013    |
| Expenditures   | 9,019,824      | 9,222,846                     | (203,022)  |
| Transfer to major repairs and replacements                   | 550,191        | 550,191                       | -          |
| General operating grant allocated to<br>debenture repayments | 423,837        | 423,837                       | -          |
| Net operating revenue less expenditures<br>as budgeted       | \$ 356,035     | \$ -                          | \$ 356,035 |
| Reversal of transfer to major repairs<br>and replacements    | 550,191        | -                             | 550,191    |
| Net operating revenue less expenditures                      | \$ 906,226     | \$ -                          | \$ 906,226 |

## 19. Commitments

The Corporation has entered into service contracts for elevator maintenance, housekeeping and security services. These contracts expire at different periods between 2013 and 2017.

Future minimum payments in aggregate for each of the next five years are as follows:

|      |           |
|------|-----------|
| 2014 | 1,158,792 |
| 2015 | 1,165,484 |
| 2016 | 975,701   |
| 2017 | 341,401   |

## 20. Pension Plan

### Description of benefit plan

The employees of the Corporation are members of the City of Winnipeg Civic Employees Defined Benefit Pension Plan. The Corporation funds its required portion of pension costs in monthly amounts specified by the City of Winnipeg.

### Total cash payments

Total cash payments by the Corporation for employee future benefits for fiscal year 2013 were \$474,910 (2012 - \$427,690).

## 21. Economic Dependency

The Corporation is dependent on the City of Winnipeg and the Province of Manitoba for funding and financing which is essential to its continuing operations.

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2013 with comparative information for 2012

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>   |                            |                            |
| Current assets:   |                            |                            |
| Cash  | \$ 1,293,690               | \$ 956,310                 |
| Investments (note 3)  | 536,375                    | 703,229                    |
| Accounts receivable   | 61,547                     | 184,165                    |
| Prepaid expenses  | 84,638                     | 133,425                    |
|   | <u>1,976,250</u>           | <u>1,977,129</u>           |
| Capital assets (note 4)                                       | <u>60,072</u>              | <u>81,203</u>              |
|   | <u><u>\$ 2,036,322</u></u> | <u><u>\$ 2,058,332</u></u> |
| <br><b>LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS</b> |                            |                            |
| Current liabilities:  |                            |                            |
| Accounts payable and accrued liabilities                      | \$ 92,092                  | \$ 128,139                 |
| Deferred rent   | 13,309                     | 10,346                     |
| Deferred contributions:                                       |                            |                            |
| Future expenses (note 5)                                      | 578,063                    | 668,937                    |
| Capital assets (note 6)                                       | -                          | 26,334                     |
|   | <u>578,063</u>             | <u>695,271</u>             |
| Net assets:   |                            |                            |
| Invested in capital assets (note 7)                           | 60,072                     | 54,869                     |
| Unrestricted  | 487,056                    | 495,250                    |
|   | <u>547,128</u>             | <u>550,119</u>             |
| Internally restricted:  |                            |                            |
| Appropriated for Yes! Winnipeg<br>initiative reserve (note 8) | 153,500                    | 153,500                    |
| Appropriated for contingency reserve (note 8)                 | 652,230                    | 520,957                    |
|   | <u>1,352,858</u>           | <u>1,224,576</u>           |
| Commitments (note 9)  | <u><u>\$ 2,036,322</u></u> | <u><u>\$ 2,058,332</u></u> |

See accompanying notes to financial statements

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENTS OF REVENUE AND EXPENDITURES

*Year ended December 31, 2013 with comparative information for 2012*

|  | <u>2013</u>                  | <u>2012</u>                 |
|--|------------------------------|-----------------------------|
| <b>REVENUE:</b>  |                              |                             |
| Funding:   |                              |                             |
| The City of Winnipeg   | \$ 2,301,479                 | \$ 2,284,369                |
| Province of Manitoba   | 1,412,000                    | 1,412,000                   |
| Partnerships and investors contributions                         | 1,678,504                    | 1,612,319                   |
| Interest   | 19,871                       | 18,630                      |
| Amortization of deferred contributions - capital assets (note 7) | <u>26,334</u>                | <u>31,596</u>               |
|  | <u>5,438,188</u>             | <u>5,358,914</u>            |
| <br><b>EXPENDITURES:</b>   |                              |                             |
| Initiatives and marketing  | 1,520,171                    | 1,776,154                   |
| Personnel  | 3,251,489                    | 3,011,055                   |
| Administrative   | 306,542                      | 312,819                     |
| Occupancy and facilities   | <u>231,704</u>               | <u>231,156</u>              |
|  | <u>5,309,906</u>             | <u>5,331,184</u>            |
| <br><b>EXCESS OF REVENUE OVER EXPENDITURES</b>                   | <br><u><u>\$ 128,282</u></u> | <br><u><u>\$ 27,730</u></u> |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31, 2013, with comparative information for 2012

|   | Unrestricted                  |            |                             | Internally restricted  |  | 2013<br>Total | 2012<br>Total |
|---|-------------------------------|------------|-----------------------------|------------------------|--|---------------|---------------|
|   | Invested in<br>Capital Assets | Operating  | Yes! Winnipeg<br>Initiative | Contingency<br>Reserve | Yes! Winnipeg<br>Initiative<br>Reserve |               |               |
| Balances, beginning of year                                   | \$ 54,869                     | \$ 402,497 | \$ 92,753                   | \$ 520,957             | \$ 153,500                             | \$ 1,224,576  | \$ 1,196,846  |
| Excess (deficiency) of revenue over expenditures              | (32,934)                      | 203,364    | (42,148)                    | -                      | -                                      | 128,282       | 27,730        |
| Transfer of funds for internally restricted purposes (note 8) | -                             | (131,273)  | -                           | 131,273                | -                                      | -             | -             |
| Transfer to Yes! Winnipeg initiative                          | -                             | (132,996)  | 132,996                     | -                      | -                                      | -             | -             |
| Transfer for acquisition of capital assets                    | 38,137                        | (38,137)   | -                           | -                      | -                                      | -             | -             |
| Balances, end of year   | \$ 60,072                     | \$ 303,455 | \$ 183,601                  | \$ 652,230             | \$ 153,500                             | \$ 1,352,858  | \$ 1,224,576  |

See accompanying notes to financial statements

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENTS OF CASH FLOWS

*Year ended December 31, 2013 with comparative information for 2012*

|  | <u>2013</u>                       | <u>2012</u>                     |
|--|-----------------------------------|---------------------------------|
| Cash provided by (used in):                              |                                   |                                 |
| <b><i>OPERATING ACTIVITIES:</i></b>                      |                                   |                                 |
| Excess of revenue over expenditures                      | \$ 128,282                        | \$ 27,730                       |
| Items not involving cash:                                |                                   |                                 |
| Amortization of capital assets                           | 59,268                            | 66,894                          |
| Amortization of deferred contributions - capital assets  | (26,334)                          | (31,596)                        |
| Amortization of deferred rent                            | 2,963                             | (12,415)                        |
| Change in non-cash operating working capital:            |                                   |                                 |
| Accounts receivable                                      | 122,618                           | (128,934)                       |
| Prepaid expenses   | 48,787                            | (41,581)                        |
| Accounts payable and accrued liabilities                 | (36,047)                          | 57,567                          |
| Net increase in deferred contributions - future expenses | <u>(90,874)</u>                   | <u>101,951</u>                  |
|  | 208,663                           | 39,616                          |
| <b><i>CAPITAL ACTIVITIES:</i></b>                        |                                   |                                 |
| Purchase of capital assets                               | (38,137)                          | (26,829)                        |
| <b><i>INVESTING ACTIVITIES:</i></b>                      |                                   |                                 |
| Investments, net   | <u>166,854</u>                    | <u>250,999</u>                  |
| <b><i>INCREASE IN CASH</i></b>                           | <b>337,380</b>                    | <b>263,786</b>                  |
| <b><i>CASH, beginning of year</i></b>                    | <b><u>956,310</u></b>             | <b><u>692,524</u></b>           |
| <b><i>CASH, end of year</i></b>                          | <b><u><u>\$ 1,293,690</u></u></b> | <b><u><u>\$ 956,310</u></u></b> |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## NOTES TO FINANCIAL STATEMENTS

*Year ended December 31, 2013*

### **1. General:**

Economic Development Winnipeg Inc. ("EDW" or the organization) is the City of Winnipeg's lead organization for economic development and tourism development. EDW is an arm's length organization led by an independent private sector Board of Directors appointed by the members. The City of Winnipeg and the Province of Manitoba are the members and provide core funding to the organization.

EDW facilitates investment promotion and attraction, capacity building, marketing and the management of market information. EDW leads global investment attraction, and local business retention and expansion, with its Yes! Winnipeg initiative. EDW is also responsible for the City's tourism development activities, which it orchestrates through its Tourism Winnipeg division. Its mission is to facilitate a healthy, prosperous, responsible and fully integrated tourism industry that enhances Winnipeg's economic growth.

### **2. Significant accounting policies:**

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

#### **a) Revenue recognition:**

The organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

#### **b) Financial instruments:**

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of revenue and expenditures.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of revenue and expenditures and any unrealized gain is adjusted through the statement of remeasurement gains and losses.



## 2. *Significant accounting policies (continued):*

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the Statement of Revenue and Expenditures.

The organization did not incur any remeasurement gains and losses during the year ended December 31, 2013 (2012 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

### c) **Capital assets:**

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

| <u>Asset</u>                   | <u>Rate</u>                        |
|--------------------------------|------------------------------------|
| Computer hardware and software | 2 - 3 years                        |
| Office furniture and fixtures  | 5 years                            |
| Leasehold improvements         | over the term of the related lease |

### d) **Deferred rent:**

As part of the organization's operating premises lease, a period of free rent was incurred and is being amortized over the term of the related lease. This lease also has escalating rents which are expensed on a straight-line basis over the period of the lease.

### e) **Income taxes:**

The organization is a not-for-profit organization under the *Income Tax Act* and, accordingly, is exempt from income taxes, providing certain requirements of the *Income Tax Act* are met.

### f) **Use of estimates:**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## 3. *Investments:*

Investments consist of investments in money market instruments aggregating \$381,340 (2012 - \$24,446) and guaranteed investment certificates aggregating \$155,035 (2012 - \$678,783). The fair value of investments has been determined using Level 1 of the fair value hierarchy.

**4. Capital assets:**

|                                | <b>Cost</b>       | <b>Accumulated<br/>Amortization</b> | <b>2013<br/>Net Book<br/>Value</b> | <b>2012<br/>Net Book<br/>Value</b> |
|--------------------------------|-------------------|-------------------------------------|------------------------------------|------------------------------------|
| Computer hardware and software | \$ 202,995        | \$ 170,518                          | \$ 32,477                          | \$ 18,972                          |
| Office furniture and fixtures  | 136,097           | 116,345                             | 19,752                             | 20,014                             |
| Leasehold improvements         | 350,969           | 343,126                             | 7,843                              | 42,217                             |
|                                | <u>\$ 690,061</u> | <u>\$ 629,989</u>                   | <u>\$ 60,072</u>                   | <u>\$ 81,203</u>                   |

**5. Deferred contributions - future expenses:**

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

|   | <b>2013</b>       | <b>2012</b>       |
|---|-------------------|-------------------|
| Balance, beginning of year                        | \$ 668,967        | \$ 566,986        |
| Amounts received during the year                  | 1,449,955         | 1,504,421         |
|   | <u>2,118,892</u>  | <u>2,071,407</u>  |
| Less: amounts recognized into revenue in the year | (1,540,829)       | (1,402,470)       |
| Balance, end of year                              | <u>\$ 578,063</u> | <u>\$ 668,937</u> |

Deferred contributions for future expenses are related to the following initiatives:

|                              | <b>2013</b>       | <b>2012</b>       |
|------------------------------|-------------------|-------------------|
| Yes! Winnipeg:               |                   |                   |
| Province of Manitoba funding | \$ 135,000        | \$ 135,000        |
| Investors contributions      | 416,555           | 473,081           |
| Team Winnipeg                | 21,896            | 46,578            |
| Winnipeg Tour Connection     | 4,612             | 14,278            |
|                              | <u>\$ 578,063</u> | <u>\$ 668,937</u> |

**6. Deferred contributions - capital assets:**

Deferred contributions - capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Revenue and Expenditures.

|                             | <b>2013</b> | <b>2012</b>      |
|-----------------------------|-------------|------------------|
| Balance, beginning of year  | \$ 26,334   | \$ 57,930        |
| Amount amortized to revenue | (26,334)    | (31,596)         |
| Balance, end of year        | <u>\$ -</u> | <u>\$ 26,334</u> |

**7. Invested in capital assets:**

|   | <u>2013</u>             | <u>2012</u>             |
|---|-------------------------|-------------------------|
| Capital assets                          | \$ 60,072               | \$ 81,203               |
| Deferred contributions - capital assets | <u>-</u>                | <u>(26,334)</u>         |
| Invested in capital assets              | <u><u>\$ 60,072</u></u> | <u><u>\$ 54,869</u></u> |

**8. Internally restricted:**

(a) Yes! Winnipeg initiative reserve:

The Yes! Winnipeg initiative reserve was established by the Board of Directors during fiscal 2011 to internally restrict net assets of the organization for funds to be available for contractual obligations in the event that operating funding for the initiative is terminated. The Yes! Winnipeg initiative is funded by \$153,500 (2012 - \$153,500) included in investments at December 31, 2013.

(b) Contingency reserve:

A contingency reserve was established to accumulate funds to be available for employee contractual obligations in the event that operating funding for the organization is terminated by the City of Winnipeg and the Province of Manitoba. As at December 31, 2013, \$131,273 (2012 - \$2,817) was added to the contingency reserve and deducted from unrestricted net assets, based on the calculation of the contingency reserve requirement as at December 31, 2013. The contingency reserve is funded by \$652,230 (2012 - \$520,957 included in investments) in cash at December 31, 2013.

**9. Commitments:**

The organization is committed under leases for office premises and equipment for a total of \$479,086. The minimum lease payments until maturity are as follows:

|      |         |
|------|---------|
| 2014 | 164,686 |
| 2015 | 179,657 |
| 2016 | 134,743 |

**10. Segregated funds:**

The organization holds funds that are segregated for partners (including the organization) in separate accounts; a convention development fund and a special event marketing fund. These funds are held in interest-bearing accounts for the benefit of convention development and special event marketing activities, respectively. Payments to the special event marketing fund are based on recommendations approved by the City of Winnipeg's council on October 22, 2008.

The balances of these funds and the income and expenditures associated therewith are not included in these financial statements.

|  | <u>2013</u>        | <u>2012</u>             |
|--|--------------------|-------------------------|
| Convention development fund:                   |                    |                         |
| Balance, beginning of year                     | \$ 72,214          | \$ 87,214               |
| Funds used during the year                     | <u>(72,214)</u>    | <u>(15,000)</u>         |
| Balance, end of year, and amount of funds held | <u><u>\$ -</u></u> | <u><u>\$ 72,214</u></u> |

**10. Segregated funds (continued):**

|  | <u>2013</u>                | <u>2012</u>                |
|--|----------------------------|----------------------------|
| Special event marketing fund:                  |                            |                            |
| Balance, beginning of year                     | \$ 1,733,867               | \$ 1,213,782               |
| Funds received during the year                 | 317,642                    | 704,369                    |
| Funds used during the year                     | (502,097)                  | (198,967)                  |
| Interest earned                                | <u>25,966</u>              | <u>14,683</u>              |
| Balance, end of year, and amount of funds held | <u><u>\$ 1,575,378</u></u> | <u><u>\$ 1,733,867</u></u> |

At December 31, 2013, funds of \$1,456,875 have been committed from the special event marketing fund towards several tourism attraction activities over the next five years as follows:

|      |            |
|------|------------|
| 2014 | \$ 776,317 |
| 2015 | 519,224    |
| 2016 | 125,278    |
| 2017 | -          |
| 2018 | 36,056     |

**11. Financial risks:**

The organization has exposure to the following risks associated with its financial instruments:

**(a) Credit risk:**

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The organization is exposed to credit risk with respect to the accounts receivable, cash and investments.

The organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the organization at December 31, 2013 is the carrying value of these assets.

At December 31, 2013, all accounts receivable were current, there were no amounts past due.

The maximum exposure to investment credit risk is as disclosed in Note 3.

There have been no significant changes to the credit risk exposure from 2012.

**(b) Liquidity risk:**

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization manages liquidity risk by monitoring its operating requirements. The organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2013.

There have been no significant changes to the liquidity risk exposure from 2012.

**12. *Defined contribution plan:***

The employees of the organization are members of a voluntary group registered retirement savings plan administered by Investors Group and RBC Asset Management Inc.

Employer contributions made to the plan during the year amounted to \$110,272 (2012 - \$93,464).

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## SCHEDULE - STATEMENT OF REVENUE AND EXPENDITURES - YES! WINNIPEG

Year ended December 31, 2013 with comparative information for 2012

|  | <u>2013</u>               | <u>2012</u>                |
|--|---------------------------|----------------------------|
| <b>REVENUE:</b>                                |                           |                            |
| Province of Manitoba funding                   | \$ 135,000                | \$ 135,000                 |
| Investors contributions                        | <u>1,080,646</u>          | <u>1,017,891</u>           |
|  | <u>1,215,646</u>          | <u>1,152,891</u>           |
| <b>EXPENDITURES:</b>                           |                           |                            |
| Initiatives and marketing                      | 111,445                   | 219,386                    |
| Personnel                                      | 1,072,514                 | 1,010,467                  |
| Administrative                                 | 72,578                    | 95,037                     |
| Occupancy and facilities                       | <u>1,257</u>              | <u>1,240</u>               |
|  | <u>1,257,794</u>          | <u>1,326,130</u>           |
| <b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b> | <u><u>\$ (42,148)</u></u> | <u><u>\$ (173,239)</u></u> |

|   | <u>2013</u>              |
|---|--------------------------|
| Unrestricted Yes! Winnipeg net assets as at December 31, 2012   | \$ 92,753                |
| Deficiency of revenue over expenditures, before transfer from unrestricted operating net assets of the organization | (42,148)                 |
| Transfer from unrestricted operating net assets of the organization during the year ended December 31, 2013         | <u>132,996</u>           |
| Unrestricted Yes! Winnipeg net assets as at December 31, 2013   | <u><u>\$ 183,601</u></u> |

Yes! Winnipeg is a five year initiative of EDW (January 1, 2011 - December 31, 2015). Revenue and expenditures related to the Yes! Winnipeg initiative, which is included in the Statement of Revenue and Expenditures of the organization, are presented above.

In conjunction with the transfer of net assets of Yes! Winnipeg to the organization on January 1, 2011, the Board had approved an annual transfer of \$132,996 from the unrestricted operating net assets of the organization towards the operations of the Yes! Winnipeg initiative. For the year ended December 31, 2013, the organization has allocated \$132,996 (2012 - \$132,996) of these unrestricted operating net assets towards the operations of the Yes! Winnipeg initiative. At December 31, 2013, the Yes! Winnipeg initiative has unrestricted net assets in aggregate of \$183,601 (2012 - \$92,753).

# WINNIPEG ENTERPRISES CORPORATION

## STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(unaudited)*

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| Cash  | \$ 142,157          | \$ 373,314          |
| Accounts receivable (Note 3)                            | 1,074,196           | 791,276             |
|   | <u>\$ 1,216,353</u> | <u>\$ 1,164,590</u> |
| <b>LIABILITIES</b>                                      |                     |                     |
| Due to City of Winnipeg - General Revenue Fund (Note 5) | \$ 960,147          | \$ 880,474          |
| Debt (Note 6)   | 141,221             | 423,635             |
|   | 1,101,368           | 1,304,109           |
| <b>NET ASSETS (CAPITAL DEFICIENCY)</b>                  | <u>114,985</u>      | <u>(139,519)</u>    |
|   | <u>\$ 1,216,353</u> | <u>\$ 1,164,590</u> |

*See accompanying notes to the financial statements*

# WINNIPEG ENTERPRISES CORPORATION

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CAPITAL DEFICIENCY)

*For the years ended December 31*

*(unaudited)*

|   | <b>2013</b>       | 2012         |
|---|-------------------|--------------|
| <b>REVENUES</b>   |                   |              |
| Entertainment funding tax - Winnipeg Football Club (Note 3) | \$ 230,637        | \$ 741,538   |
| Interest (Note 3)   | 52,283            | 49,738       |
| Other   | -                 | 4,600        |
|   | <b>282,920</b>    | 795,876      |
| <b>EXPENSES</b>   |                   |              |
| Write-off of long-term receivable (Note 4)                  | -                 | 733,389      |
| Interest on debt and other finance charges                  | 28,062            | 41,588       |
| Professional fees   | 354               | 354          |
|   | <b>28,416</b>     | 775,331      |
| <b>NET INCOME FOR THE YEAR</b>                              | <b>254,504</b>    | 20,545       |
| <b>CAPITAL DEFICIENCY - BEGINNING OF YEAR</b>               | <b>(139,519)</b>  | (160,064)    |
| <b>NET ASSETS (CAPITAL DEFICIENCY) - END OF YEAR</b>        | <b>\$ 114,985</b> | \$ (139,519) |

*See accompanying notes to the financial statements*



# WINNIPEG ENTERPRISES CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

(unaudited)

### 1. *Entity Definition and Wind-Up of Operations*

Winnipeg Enterprises Corporation ("the Corporation") is a not-for-profit organization established by the Winnipeg Enterprises Corporation Incorporation Act on July 26, 1952 under the laws of the Province of Manitoba. As at March 31, 2005, the Corporation has wound-down its operations and is being managed by The City of Winnipeg ("the City"), its sole director. The City has assumed all remaining and prospective debt and liabilities of the Corporation.

### 2. *Significant Accounting Policies*

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the creation of a legal obligation to pay.

#### **Financial instruments**

Financial instruments include cash, accounts receivable, due to City of Winnipeg - General Revenue Fund, debt and an interest rate swap on the debt. Unless otherwise stated, the book value of the Corporation's financial assets and liabilities approximates their fair value. It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments except as per Note 6.

The Corporation uses interest rate swap contracts to manage interest rate risk on its floating rate debt. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest expense on a basis which matches the related fluctuations in the interest payments under floating rate debt.

#### **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from these estimates.

### 3. *Entertainment Funding Tax - Winnipeg Football Club*

On May 18, 2005, City Council approved the amendment to the Canad Inns Stadium lease with the Corporation. The amendment included a provision which allows the City to use the entertainment funding tax, which relates to one pre-season game and nine regular season games, to first repay the remaining amount invested by the Corporation in the Winnipeg Football Club ("WFC") by way of income debentures totalling \$1,194,000. This has been repaid in its entirety. Thereafter, this entertainment funding tax will be used to reduce the debt in the Corporation associated with WFC, which totalled approximately \$3,265,244 as at December 31, 2004. The unamortized amount of this debt, based on an interest rate of 5% net of the entertainment funding tax applied against the debt, as at December 31, 2013 is \$1,074,196 (2012 - \$1,021,913).

### 3. *Entertainment Funding Tax - Winnipeg Football Club (continued)*

On December 15, 2010, City Council approved an amendment to the Economic Development Initiative for the re-development of the existing Stadium site and the new Stadium development at the University of Manitoba. All the entertainment funding tax remitted to the City in relation to the new Stadium will be used to repay this debt. Once the debt has been repaid, the entertainment funding tax on regular season and exhibition Blue Bomber football games will be used as follows:

- The first \$2.0 million shall be paid by WFC to BBB Stadium Inc. ("BBB") to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC;
- The next \$0.5 million shall be paid by WFC to BBB to be applied by BBB to a Stadium Capital Fund; and
- The balance, if any, shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC.

On December 12, 2012, City Council approved the request by the WFC to defer and retain future entertainment funding tax payments commencing in 2012 for five years. The outstanding debt including the accrued interest is to be repaid by the end of 2017.

### 4. *Due from City of Winnipeg*

The due from City of Winnipeg represented the net book value of the property and equipment that was owned by the Corporation and transferred to the City based on the assignment agreement dated June 1, 2004 between the City, the Corporation and the WFC. The receivable was written-down based on the amortization of the property and equipment using the straight-line method over 10 years on the remaining unamortized balance.

### 5. *Due to City of Winnipeg - General Revenue Fund*

The City operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 0.9%).

### 6. *Debt*

|   | 2013       | 2012       |
|---|------------|------------|
| Demand loan (credit facility A); bearing interest at a swap rate of 5.94% per annum until May 30, 2014; after which bears interest at prime; repayable in quarterly instalments of \$70,833 plus interest | \$ 141,221 | \$ 423,635 |

Credit facility A is secured by a limited guarantee from the City of Winnipeg of \$7,650,000.



# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| <b>ASSETS</b>                                    |                      |                      |
| Current Assets                                   |                      |                      |
| Cash held in trust                               | \$ -                 | 6,785,000            |
| Accounts receivable (Note 3)                     | 3,957,160            | 1,505,921            |
| Prepaid expenses                                 | 38,259               | 9,924                |
| Property held for resale (Note 4)                | 796,770              | 1,036,674            |
| Current portion of mortgages receivable (Note 5) | 1,018,708            | 898,342              |
| Current portion of loans receivable (Note 6)     | 2,639,830            | 3,310,176            |
|  | <u>8,450,727</u>     | 13,546,037           |
| Mortgages receivable (Note 5)                    | 2,040,185            | 2,331,302            |
| Loans receivable (Note 6)                        | 3,807,247            | 2,863,325            |
| Investment in hotel properties (Note 7)          | 11,992,106           | 89                   |
| Capital assets (Note 8)                          | 8,629,529            | 9,139,726            |
|  | <u>\$ 34,919,794</u> | <u>\$ 27,880,479</u> |
| <b>LIABILITIES AND NET ASSETS</b>                |                      |                      |
| Current Liabilities                              |                      |                      |
| Bank indebtedness (Note 2)                       | \$ 6,453,656         | \$ 6,827,488         |
| Accounts payable and accrued liabilities         | 607,417              | 645,808              |
| Deferred grant revenue (Note 9)                  | 748,298              | 676,254              |
| Current portion of long-term debt (Note 10)      | 184,720              | 162,741              |
|  | <u>7,994,091</u>     | 8,312,291            |
| Long-term debt (Note 10)                         | 12,439,305           | 4,128,952            |
| Deferred government assistance (Note 11)         | 5,705,300            | 6,157,847            |
|  | <u>26,138,696</u>    | 18,599,090           |
| Commitments and contingencies (Note 12)          |                      |                      |
| <b>NET ASSETS</b>                                |                      |                      |
| Invested in capital assets (Note 13)             | 1,002,087            | 1,033,829            |
| General  | 97,000               | 97,000               |
| Urban Development Bank                           | 7,682,011            | 8,150,560            |
|  | <u>8,781,098</u>     | 9,281,389            |
|  | <u>\$ 34,919,794</u> | <u>\$ 27,880,479</u> |

*The accompanying notes are an integral part of these financial statements*

# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

*For the years ended December 31*

|  | Invested<br>in Capital<br>Assets | General   | Urban<br>Development<br>Bank | Total         |
|--|----------------------------------|-----------|------------------------------|---------------|
| Balance, January 1, 2012                     | \$ 1,194,219                     | \$ 97,000 | \$ 8,927,274                 | \$ 10,218,493 |
| Excess (deficiency) of revenue over expenses | (207,427)                        | 31,352    | (761,029)                    | (937,104)     |
| Fund transfers                               | -                                | (31,352)  | 31,352                       | -             |
| Net change in invested in capital assets     | 47,037                           | -         | (47,037)                     | -             |
| Balance, December 31, 2012                   | 1,033,829                        | 97,000    | 8,150,560                    | 9,281,389     |
| Excess (deficiency) of revenue over expenses | (201,083)                        | 6,552     | (305,760)                    | (500,291)     |
| Fund transfers                               | -                                | (6,552)   | 6,552                        | -             |
| Net change in invested in capital assets     | 169,341                          | -         | (169,341)                    | -             |
| Balance, December 31, 2013                   | 1,002,087                        | \$ 97,000 | \$ 7,682,011                 | \$ 8,781,098  |

*The accompanying notes are an integral part of these financial statements*

# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31

|   | General            | Urban<br>Development<br>Bank | 2013                | 2012                |
|---|--------------------|------------------------------|---------------------|---------------------|
| <b>Revenue</b>  |                    |                              |                     |                     |
| Grants  |                    |                              |                     |                     |
| City of Winnipeg - Operational grant                            | \$ 300,000         | \$ -                         | \$ 300,000          | \$ 300,000          |
| City of Winnipeg - Downtown Residential<br>Development Grant    | -                  | 15,493                       | 15,493              | 14,912              |
| Province of Manitoba  | -                  | 255,922                      | 255,922             | 52,710              |
| Designated grants   | -                  | 762,866                      | 762,866             | 280,406             |
| Amortization of derfered government assistance                  | -                  | 452,547                      | 452,547             | 452,547             |
| Interest  | 433,905            | -                            | 433,905             | 494,477             |
| Commissions and development fees                                | 224,854            | 422                          | 225,276             | 59,707              |
| Rental  | 30,000             | 642,291                      | 672,291             | 658,139             |
| Sale of properties  | -                  | 411,700                      | 411,700             | 1,525,000           |
| Other   | -                  | 107,500                      | 107,500             | 139,978             |
| Income from hotel properties (Note 7)                           | -                  | (27,433)                     | (27,433)            | -                   |
|   | <b>988,759</b>     | <b>2,621,308</b>             | <b>3,610,067</b>    | <b>3,977,876</b>    |
| <b>Expenditures</b>   |                    |                              |                     |                     |
| Administration  | 43,769             | 1,779                        | 45,548              | 38,022              |
| Amortization  | 22,961             | 630,669                      | 653,630             | 659,974             |
| Bank charges and interest                                       | 2,768              | 195,947                      | 198,715             | 10,199              |
| Interests on long-term debt                                     | -                  | 88,872                       | 88,872              | 90,277              |
| Cost of properties  | -                  | 298,990                      | 298,990             | 1,911,943           |
| Grants paid out   |                    |                              |                     |                     |
| Designated revenues   | -                  | 762,866                      | 762,866             | 280,406             |
| Wages and Benefits  | 746,973            | -                            | 746,973             | 663,417             |
| Insurance   | 16,496             | 17,288                       | 33,784              | 25,860              |
| Office  | 97,106             | -                            | 97,106              | 79,661              |
| Professional fees   |                    |                              |                     |                     |
| IT and other  | 16,518             | -                            | 16,518              | 11,255              |
| Accounting, legal and transaction costs                         | 25,765             | 260,044                      | 285,809             | 466,768             |
| Marketing   | 32,812             | 3,275                        | 36,087              | 48,891              |
| Project development   | -                  | 469,766                      | 469,766             | 235,776             |
| Rental Properties   | -                  | 363,194                      | 363,194             | 345,065             |
| Bad debt  | -                  | -                            | -                   | 35,466              |
| Community investment  | -                  | 12,500                       | 12,500              | 12,000              |
|   | <b>1,005,168</b>   | <b>3,105,190</b>             | <b>4,110,358</b>    | <b>4,914,980</b>    |
| <b>Deficiency of revenue<br/>over expenditures for the year</b> | <b>\$ (16,409)</b> | <b>\$ (483,882)</b>          | <b>\$ (500,291)</b> | <b>\$ (937,104)</b> |
| <b>Allocated to:</b>  |                    |                              |                     |                     |
| General   | \$ 6,552           | \$ -                         | \$ 6,552            | \$ 31,352           |
| Urban Development Bank  | -                  | (305,760)                    | (305,760)           | (761,029)           |
| Invested in capital assets                                      | (22,961)           | (178,122)                    | (201,083)           | (207,427)           |
| <b>Deficiency of revenue<br/>over expenditures for the year</b> | <b>\$ (16,409)</b> | <b>\$ (483,882)</b>          | <b>\$ (500,291)</b> | <b>\$ (937,104)</b> |

The accompanying notes are an integral part of these financial statements



# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

|  | 2013                  | 2012               |
|--|-----------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |                       |                    |
| Deficiency of revenue over expenditures for the year         | \$ (500,291)          | \$ (937,104)       |
| Adjustments for  |                       |                    |
| Amortization of capital assets                               | 653,630               | 659,974            |
| Accrued interest on mortgages                                | 164                   | 1,687              |
| Accrued interest on loans receivable                         | 8,719                 | (6,961)            |
| Bad debt expense   | -                     | 35,466             |
| Deferred government assistance                               | (452,547)             | (452,547)          |
| Income from hotel properties                                 | 27,433                | -                  |
|  | <u>(262,892)</u>      | <u>(699,485)</u>   |
| Changes in non-cash working capital balances                 |                       |                    |
| Accounts receivable  | (2,451,239)           | 31,458             |
| Prepaid expenses   | (28,335)              | (718)              |
| Property held for resale                                     | 239,904               | 1,459,059          |
| Accounts payable and accrued liabilities                     | (38,391)              | 154,983            |
| Holdbacks payable  | -                     | (1,762)            |
| Deferred grant revenue                                       | 72,044                | (3,540)            |
|  | <u>(2,206,017)</u>    | <u>1,639,480</u>   |
|  | <u>(2,468,909)</u>    | <u>939,995</u>     |
| <b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>                    |                       |                    |
| Purchase of capital assets                                   | <u>(143,433)</u>      | <u>(22,534)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |                       |                    |
| Purchase of hotel properties                                 | (12,019,450)          | -                  |
| Advances of mortgages receivable                             | (140,761)             | (1,497,192)        |
| Receipts from mortgages receivable                           | 311,348               | 1,922,277          |
| Advances of loans receivable                                 | (1,485,539)           | (2,075,118)        |
| Receipts from loans receivable                               | 1,203,245             | 701,280            |
|  | <u>(12,131,157)</u>   | <u>(948,753)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |                       |                    |
| Proceeds from long-term debt                                 | 8,514,532             | -                  |
| Repayment of long-term debt                                  | <u>(182,201)</u>      | <u>(155,484)</u>   |
| <b>Decrease in cash and cash equivalents during the year</b> | <b>(6,411,168)</b>    | <b>(186,776)</b>   |
| <b>Cash and cash equivalents, beginning of year</b>          | <b>(42,488)</b>       | <b>144,288</b>     |
| <b>Cash and cash equivalents, end of year</b>                | <b>\$ (6,453,656)</b> | <b>\$ (42,488)</b> |
| <b>Comprised of</b>  |                       |                    |
| Bank indebtedness  | \$ (6,453,656)        | \$ (6,827,488)     |
| Cash held in trust   | -                     | 6,785,000          |
|  | <u>\$ (6,453,656)</u> | <u>\$ (42,488)</u> |

The accompanying notes are an integral part of these financial statements

# **CENTREVENTURE DEVELOPMENT CORPORATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended December 31, 2013*

### **1. Summary of Significant Accounting Policies**

#### **a. Management's Responsibility for the Financial Statements**

These consolidated financial statements of CentreVenture Development Corporation ("corporation") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board.

#### **b. Nature and Purpose of the Corporation**

CentreVenture Development Corporation is a non-profit organization incorporated without share capital under the laws of Manitoba on July 9, 1999. The goal of the corporation is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg. The corporation is exempt from income tax by virtue of p. 149(1)(e) of the Income Tax Act. The corporation files a corporate tax return and a non-profit organization information return annually as required by the Canada Revenue Agency.

#### **c. Basis of Consolidation**

These consolidated financial statements include the accounts of CentreVenture Development Corporation, its wholly-owned subsidiaries Centre Village Housing Inc. and BellMain Residences Inc., which operate under common management. Intra-company and inter-company transactions and balances have been eliminated upon consolidation.

The investment in STR Properties Inc. and CCC Properties are reported as government business enterprise and accounted for using the modified equity method. Under this method, the government business accounting principles are not adjusted to conform with those of the corporation and inter-company transactions are not eliminated.

#### **d. Basis of Financial Presentation**

The corporation records its financial transactions on the deferred fund accounting basis as follows:

##### General

General includes transactions related to general operations and administration of the corporation.

##### Urban Development Bank

The Urban Development Bank was initiated in 1999 through a contribution by the City of Winnipeg. Funds are intended to enable CentreVenture Development Corporation to facilitate economic development initiatives with private and non-profit sectors and provide creative financing options to encourage downtown investment. The assets of the Urban Development Bank are invested in loans, receivables and property held for development.

The Urban Development Bank funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the corporation. The Urban Development Bank is funded by various levels of government and other funding organizations.



## **1. Summary of Significant Accounting Policies (continued)**

### **e. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, restricted cash and cash held in trust.

### **f. Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. Restricted cash, bank indebtedness and cash held in trust have been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost. Due to the nature of the financial instruments held by CentreVenture Development Corporation, there are no unrealized gains or losses, and therefore a statements of remeasurement gains and losses are not required for these financial statements.

### **g. Revenue Recognition**

CentreVenture Development Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income and rental revenue is recognized on an accrual basis consistent with the terms of the related mortgages and agreements and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions.

Sale proceeds on properties and the related cost of properties are recognized when the risks and rewards of ownership are transferred to the purchaser and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions. A transaction fee is levied by the corporation on these sales.

### **h. Special Projects - Restricted Funding Arrangements**

In addition to regular operating revenues, CentreVenture Development Corporation receives grants from time to time for specific programs or initiatives to be administered by CentreVenture Development Corporation which are accounted for through the Urban Development Bank. The following special funding arrangements were ongoing during the year:

#### Province of Manitoba: North Main Economic Development Program Grant

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

#### City of Winnipeg: Downtown Housing Strategy

The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

## 1. *Summary of Significant Accounting Policies (continued)*

### City of Winnipeg: Gail Parvin Hammerquist

The purpose of these grants is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

### City of Winnipeg/Province of Manitoba: Downtown Residential Development Grant

The purpose of this grant is to promote and support significant improvement projects to revitalize communities and neighbourhoods, encourage economic development, enhance social and cultural development, and preserve heritage properties.

### City of Winnipeg/Province of Manitoba: Sports, Hospitality, Entertainment District Grant

The purpose of this grant is to make the S.H.E.D. a key destination downtown, by providing funds to CentreVenture to stimulate private and public investment in the District, with the goal of revitalizing Winnipeg's downtown.

#### i. Mortgages and Loans Receivable

Mortgages and loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Amounts considered uncollectible are written-off in the year in which the uncollectible amount is determined. Recoveries on mortgages and loans previously written-off are taken into income in the year the income is received.

#### j. Allowance for Doubtful Loans

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the corporation's portfolio. The allowance is evaluated on an ongoing basis and increased as deemed necessary, which is charged against income and is reduced by write-offs.

#### k. Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided for on a straight-line basis in accordance with the following estimated useful life of the assets:

|                        |          |
|------------------------|----------|
| Buildings              | 25 years |
| Computer equipment     | 3 years  |
| Furniture and fixtures | 5 years  |
| Leasehold improvements | 3 years  |

#### l. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

## 2. *Cash and Bank/Bank Indebtedness*

The corporation has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of \$10,400,000. The line of credit bears interest at Royal Bank prime rate minus 1.00% per annum and is secured by an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of \$13,000,000 and a general security agreement on all personal property of the corporation. As at December 31, 2013, the line of credit had a balance owing of \$5,077,425 (\$6,415,608 as at December 31, 2012).

The Corporation has an approved line of credit with the Royal Bank of Canada in the amount of \$6,600,000 (nil as at December 31, 2012). The line of credit bears interest at Royal Bank prime minus 1.00% and is guaranteed by the City of Winnipeg.

## 3. *Accounts Receivable*

|                            | <u>2013</u>         | <u>2012</u>         |
|----------------------------|---------------------|---------------------|
| DRDG Grants                | \$ 204,647          | \$ -                |
| Trade and other receivable | 465,683             | 437,205             |
| GST receivable             | 47,513              | 69,122              |
| Grants receivable          | 149,106             | 149,933             |
| S.H.E.D. Project           | <u>3,090,211</u>    | <u>849,661</u>      |
|                            | <u>\$ 3,957,160</u> | <u>\$ 1,505,921</u> |

## 4. *Property Held for Resale*

Under the asset agreement between CentreVenture Development Corporation and the City of Winnipeg, CentreVenture Development Corporation has the option to acquire an interest in surplus City-owned properties and buildings within the downtown area for the consideration of one dollar or a maximum of three years back property taxes. Any properties obtained under either of these options are recorded at the consideration price. The land inventory available under the asset agreement has been substantially depleted.

Property held for resale also includes properties acquired at fair market value from third parties for the purpose of development and/or resale. Material costs associated with the acquisition, development and resale of these properties are capitalized at cost. Property held for resale at year end consists of the following:

|                            | <u>2013</u>       | <u>2012</u>         |
|----------------------------|-------------------|---------------------|
| Property for sale          | \$ 796,770        | \$ 796,770          |
| Property development costs | <u>-</u>          | <u>239,904</u>      |
|                            | <u>\$ 796,770</u> | <u>\$ 1,036,674</u> |

## 5. *Mortgages Receivable*

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| Mortgages receivable                    | \$ 3,074,849               | \$ 3,245,436               |
| Accrued interest receivable             | 4,044                      | 4,208                      |
| Allowance for doubtful loans            | <u>(20,000)</u>            | <u>(20,000)</u>            |
|   | <b>3,058,893</b>           | 3,229,644                  |
| Current portion of mortgages receivable | <u>1,018,708</u>           | <u>898,342</u>             |
|   | <u><b>\$ 2,040,185</b></u> | <u><b>\$ 2,331,302</b></u> |

Mortgages receivable are on various properties in downtown Winnipeg with terms ranging from demand to maturity of 25 years, monthly installments applied to interest first, compounded semi-annually not in advance, and secured by recourse to the related underlying property, personal and corporate guarantees, and other forms of security. Interest rates charged for CentreVenture Development Corporation mortgages range from 5.25% to 8.0% and are both fixed and variable in reference to the Bank of Canada's prime rate of lending at the time of loan disbursement.

Mortgage principal receipts are expected as follows:

|                  |                            |
|------------------|----------------------------|
| 2014             | \$ 1,018,708               |
| 2015             | 241,597                    |
| 2016             | 241,597                    |
| 2017             | 241,597                    |
| 2018             | 241,597                    |
| Thereafter       | 1,089,753                  |
| Accrued interest | <u>4,044</u>               |
|                  | 3,078,893                  |
| Allowance        | <u>(20,000)</u>            |
|                  | <u><b>\$ 3,058,893</b></u> |

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2014.

## 6. *Loans Receivable*

|                                     | <u>2013</u>                | <u>2012</u>                |
|-------------------------------------|----------------------------|----------------------------|
| Loans receivable                    | \$ 6,524,393               | \$ 6,242,095               |
| Accrued interest receivable         | 27,684                     | 36,406                     |
| Allowance for doubtful loans        | <u>(105,000)</u>           | <u>(105,000)</u>           |
|                                     | <b>6,447,077</b>           | 6,173,501                  |
| Current portion of loans receivable | <u>2,639,830</u>           | <u>3,310,176</u>           |
|                                     | <u><b>\$ 3,807,247</b></u> | <u><b>\$ 2,863,325</b></u> |

## 6. *Loans Receivable (continued)*

Loans receivable from various borrowers have a maximum term to maturity of 30 years, payable in monthly interest installments plus annual principal payment, and secured by an assignment of Heritage Tax Credits or other forms of security. Interest rates charged, ranging from 5.0% to 8.5%, are both fixed and variable in reference to the Bank of Canada's prime rate of lending at the time of loan disbursement.

Loan principal receipts are expected as follows:

|                  |                            |
|------------------|----------------------------|
| 2014             | \$ 2,639,830               |
| 2015             | 1,795,585                  |
| 2016             | 312,590                    |
| 2017             | 177,096                    |
| 2018             | 172,200                    |
| Thereafter       | 1,427,092                  |
| Accrued interest | <u>27,684</u>              |
|                  | 6,552,077                  |
| Allowance        | <u>(105,000)</u>           |
|                  | <u><u>\$ 6,447,077</u></u> |

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2014.

## 7. *Investment in Hotel Properties*

STR Properties Inc. is 89% owned by the corporation, which owns the St. Regis property. CCC Properties Inc. is 89% owned by the corporation which includes interest in the land and building comprising of the Carlton Inn. These businesses were acquired as part of the corporation's mission to revitalize downtown Winnipeg.

|                              | <b>STR<br/>Properties<br/>Inc.</b> | <b>CCC<br/>Properties<br/>Inc.</b> |
|------------------------------|------------------------------------|------------------------------------|
| Current assets               | \$ 275,197                         | \$ 194,760                         |
| Long-term assets             | <u>6,958,933</u>                   | <u>6,774,993</u>                   |
| Total assets                 | <u><u>\$ 7,234,130</u></u>         | <u><u>\$ 6,969,753</u></u>         |
| Current liabilities          | \$ 729,756                         | \$ -                               |
| Equity                       | <u>6,504,374</u>                   | <u>6,969,753</u>                   |
| Total equity and liabilities | <u><u>\$ 7,234,130</u></u>         | <u><u>\$ 6,969,753</u></u>         |
| Revenues                     | \$ -                               | \$ 3,486                           |
| Expenses                     | <u>576</u>                         | <u>33,733</u>                      |
| Loss for the year            | <u><u>\$ (576)</u></u>             | <u><u>\$ (30,247)</u></u>          |

## 8. *Capital Assets*

|                                       | 2013                 |                             | 2012                 |                             |
|---------------------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
|                                       | Cost                 | Accumulated<br>Amortization | Cost                 | Accumulated<br>Amortization |
| Buildings                             | \$ 9,724,220         | \$ 1,430,814                | \$ 9,609,320         | \$ 842,749                  |
| Computer equipment                    | 120,118              | 112,504                     | 113,321              | 105,041                     |
| Furniture and fixtures                | 146,029              | 91,068                      | 124,293              | 66,933                      |
| Leasehold improvements                | 575,219              | 301,671                     | 575,219              | 267,704                     |
|                                       | <u>\$ 10,565,586</u> | <u>\$ 1,936,057</u>         | <u>\$ 10,422,153</u> | <u>\$ 1,282,427</u>         |
| Cost less accumulated<br>amortization |                      | <u>\$ 8,629,529</u>         |                      | <u>\$ 9,139,726</u>         |

## 9. *Deferred Grant Revenue*

Deferred grant revenue represents externally restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for externally restricted projects during the year is as follows:

|   | 2013              | 2012              |
|---|-------------------|-------------------|
| Gail Parvin Hammerquist 2009                  | \$ 745,698        | \$ 673,654        |
| North Main Economic Development Program Grant | 2,600             | 2,600             |
|   | <u>\$ 748,298</u> | <u>\$ 676,254</u> |

## 10. Long-term Debt

|  | <u>2012</u>                 | <u>2011</u>                |
|--|-----------------------------|----------------------------|
| Mortgage payable at the rate of 4.59%, due January 2015, blended monthly payments of \$9,565, the balance is secured by first mortgage against apartment complex at Kennedy and Balmoral, general security agreement and assignment of rent.   | \$ 1,922,143                | \$ 1,948,051               |
| Royal Bank of Canada Insurance, term loan #1 at the fixed rate of 4.47%, due October 2025, blended yearly payments of \$241,597, secured by a general security agreement constituting a first ranking security interest in all personal property, and an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of \$13,000,000. | 2,206,806                   | 2,343,642                  |
| Term loan #2 at the fixed rate of 3.78%, due October 2027, blended annual equal payments of \$19,457, secured by guarantee signed by the City of Winnipeg in the amount of \$224,532.  | 205,076                     | -                          |
| Term loan #3 at the fixed rate of 3.98%, due October 2029, blended annual equal payments of \$349,382, secured by guarantee signed by the City of Winnipeg in the amount of \$3,890,000.   | 3,890,000                   | -                          |
| Term loan #4 at the fixed rate of 3.91%, due October 2029, blended annual payments of \$393,254, secured by a guarantee signed by the City of Winnipeg in the amount of \$4,400,000.   | 4,400,000                   | -                          |
|  | <u>12,624,025</u>           | 4,291,693                  |
| Current portion of long-term debt  | 184,720                     | 162,741                    |
|  | <u><u>\$ 12,439,305</u></u> | <u><u>\$ 4,128,952</u></u> |

Principal repayments for the next five years and thereafter are as follows:

|            |                             |
|------------|-----------------------------|
| 2014       | \$ 184,720                  |
| 2015       | 2,611,685                   |
| 2016       | 723,333                     |
| 2017       | 730,307                     |
| 2018       | 737,593                     |
| Thereafter | 7,636,387                   |
|            | <u><u>\$ 12,624,025</u></u> |

Term loan #1, was incurred to fund a 15 year mortgage loan of an equal amount which CentreVenture extended to Youth Centre of Excellence project at 333 King Street. CentreVenture receives an annual payment against the mortgage receivable over a 15 year period from the City of Winnipeg to cover the annual debt servicing costs (principal and interest) related to Youth Centre of Excellence's loan.

Term loan #2, was incurred to fund the first grant paid out under the Downtown Residential Development Grant. CentreVenture receives an annual payment against this loan over a 15 year period from the City of Winnipeg to cover the annual debt servicing costs (principal and interest).

## 10. Long-term Debt (continued)

Term loans #3 and #4 were incurred to finance the phase 1 of the Sports, Hospitality and Entertainment District project under the Strategic Downtown Investments Funding Agreement. Commencing in 2015, CentreVenture will receive an annual payment against this loan over a 15 year period from the Province of Manitoba and the City of Winnipeg to cover the annual debt servicing costs (principal and interest). Interest on advances made commencing in 2013 are also covered by the Province of Manitoba and the City of Winnipeg.

## 11. Deferred Government Assistance

The details of government assistance outstanding on forgivable loans are as follows:

|  | <u>2012</u>         | <u>2011</u>         |
|--|---------------------|---------------------|
| <u>Bell Hotel</u>  |                     |                     |
| Province of Manitoba (15 year term loan, with maturity date set at August 1, 2026. Payments are not required as long as the property operates as an affordable housing complex).                             | \$ 2,110,555        | \$ 2,270,555        |
| Government of Canada (15 year term loan, with maturity date set at August 1, 2026. Payments are not required as long as the property offers services for the homeless approved by the Government of Canada). | 2,365,578           | 2,558,125           |
| <u>Centre Village Housing Inc.</u>   |                     |                     |
| Province of Manitoba (15 year term loan, with maturity date set at July 1, 2025. Payments are not required as long as the property operates as an affordable housing complex).                               | <u>1,229,167</u>    | <u>1,329,167</u>    |
|  | <u>\$ 5,705,300</u> | <u>\$ 6,157,847</u> |

The five year forgiveness schedule for the forgivable loans is as follows:

|            |                     |
|------------|---------------------|
| 2014       | \$ 452,547          |
| 2015       | 452,547             |
| 2016       | 452,547             |
| 2017       | 452,547             |
| 2018       | 452,547             |
| Thereafter | <u>3,442,565</u>    |
|            | <u>\$ 5,705,300</u> |

At December 31, 2013, the corporation has met all requirements during the year relating to the terms of the forgivable loans.



## 12. Commitments and Contingencies

The corporation has made commitments for grants that had not been disbursed by the December 31, 2013 year end in the approximate amount of \$244,490 (\$480,000 in 2012).

The corporation has made commitments for loans that had not been disbursed by the December 31, 2013 year end in the approximate amount of \$2,080,024 (\$1,601,146 in 2012).

The corporation has made commitments for property development and property purchases with the maximum amount committed to be \$nil (\$nil in 2012) pending the recipient's ability to meet the requirements of the agreement.

The corporation has made commitments for leases for the next five years as follows:

|      |    |        |
|------|----|--------|
| 2014 | \$ | 25,149 |
| 2015 |    | 25,149 |
| 2016 |    | 25,149 |
| 2017 |    | 25,149 |
| 2018 |    | 25,149 |

## 13. Invested in Capital Assets

Investment in capital assets is calculated as follows:

|                | <u>2013</u>         | <u>2012</u>         |
|----------------|---------------------|---------------------|
| Capital assets | \$ 8,629,529        | \$ 9,139,726        |
| Long-term debt | <u>7,627,442</u>    | <u>8,105,897</u>    |
|                | <u>\$ 1,002,087</u> | <u>\$ 1,033,829</u> |

Change in net assets invested in capital assets is calculated as follows:

|  | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|
| Deficiency of revenue over expenditures        |                     |                     |
| Amortization of deferred government assistance | \$ 452,547          | \$ 452,547          |
| Amortization of capital assets                 | <u>(653,630)</u>    | <u>(659,974)</u>    |
|  | <u>\$ (201,083)</u> | <u>\$ (207,427)</u> |
| Net changes in investment in capital assets    |                     |                     |
| Purchase of capital assets                     | \$ 143,433          | \$ 22,534           |
| Repayment of long-term debt                    | <u>25,908</u>       | <u>24,503</u>       |
|  | <u>\$ 169,341</u>   | <u>\$ 47,037</u>    |

#### 14. *Related Party Transactions*

The following table summarizes the corporation's related party transactions for the year:

|   | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| <b>REVENUE</b>  |             |             |
| City of Winnipeg (parent) - operating grant   | \$ 300,000  | \$ 300,000  |
| City of Winnipeg (parent) - miscellaneous   | 30,549      | 26,407      |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>   |             |             |
| City of Winnipeg (parent) - Property taxes  | 46,425      | 76,393      |
| City of Winnipeg (parent) - DRDG payments   | 204,629     | -           |
| <b>OTHER</b>  |             |             |
| City of Winnipeg (parent) - Assigned Heritage Tax Credits<br>applied against loans receivable | 137,816     | 154,334     |

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

#### 15. *Financial Instrument Risks*

##### General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the corporation's President and Chief Executive Officer. The Board of Directors receives monthly reports from the corporation's President and Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The corporation's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

##### Interest Rate Risk

The corporation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its mortgages and loans receivable, and long term debt. The corporation's objective is to minimize interest rate risk by locking in fixed rates on its mortgages and loans receivable, and its long-term debt.

The corporation is exposed to interest rate risk through its line of credit, which bears interest at prime minus one percent. These funds are used as interim financing until permanent financing, with a fixed rate, can be put in place.

The corporation's financial instruments subject to interest rate risk are subject to fixed rates of interest and will not be renewed within the next twelve months, therefore are not subject to interest rate risk. The line of credit is not subject to interest rate risk as it is a market rate and the funds are usually used for a period of less than twelve months.

## **15. *Financial Instrument Risks (continued)***

### **Credit Risk**

The corporation is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the corporation's receivables are from government entities which minimizes the risk of non-collection. The corporation also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

The corporation is also exposed to credit risk through the possibility of non-collection of its mortgages and loans receivable. The corporation's loan guidelines set out the minimum requirements for management of credit risk. The corporations' loan guidelines include policies regarding the approval of lending, eligibility for loans, lending limits, and loan collateral security.

With respect to credit risk, the Board of Directors receives details of new loans and delinquent loans. The corporation's maximum exposure to the credit risk is limited to the amount presented on the face of the balance sheet for accounts receivable, mortgages and loans receivable.

### **Liquidity Risk**

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due. The corporation has a planning and budgeting process in place to help determine the funds required to support the corporation's normal operating requirements on an ongoing basis. The corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

## **16. *Fair Value of Financial Instruments***

The carrying amount of the corporation's financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

## **17. *The Sports, Hospitality and Entertainment District***

The Sports, Hospitality and Entertainment District (S.H.E.D.) has been championed by CentreVenture Development Corporation along with our Downtown partners. The S.H.E.D. is a collaborative initiative and will be a public investment funded by the City of Winnipeg and Province of Manitoba. CentreVenture will continue to play a key role as a project administrator for the balance of Phase 1 and 2 (currently conditionally approved for \$16.6 million).

## **18. *Comparative Figures***

Certain of the comparative figures for the year ended December 31, 2012 have been reclassified to provide better comparison with the current year's presentation.

## ***19. Capital Management***

The corporation manages its capital according to the plan approved by the City of Winnipeg. That plan contains several principles:

- Each year's operations are budgeted on a break-even basis, so that the corporation's equity over the long-term neither grows nor diminishes on account of annual operations. In the current year and each of the three prior years, the corporation's net assets have decreased based on the operating result. In each of these years, general unrestricted assets in excess of a minimum base of \$97,000 have been transferred to the Urban Development Bank.
- The Urban Development Bank (UDB) was established by the City of Winnipeg, with an initial \$10,000,000 investment and the right for the corporation to acquire certain properties from the City for \$1 each. The net profits from the purchase and sale of these properties in downtown development transactions were added to the UDB increasing it to a maximum of almost \$14,000,000 by the time all available properties had been sold. This land bank is now exhausted.

The UDB's assets are used to make investments in mortgages and loans receivable as well as in capital assets to facilitate downtown development. The loans and mortgages are recovered by repayment. Investments in capital assets are ultimately sold. The cash realized from these UDB investments is then reinvested in further downtown development activity.

In addition, the corporation's community investment activities are expensed in the Urban Development Bank, thereby reducing its equity. The corporation anticipates annual community investments of \$500,000 to 1,000,000. In the current year, these activities depleted the Urban Development Bank to a year-end balance of approximately \$8,700,000. This balance is comprised of the total of the equity "invested in capital assets" and the UDB equity balance.

# WINNIPEG ARTS COUNCIL INC.

## STATEMENT OF OPERATIONS

*Year ended December 31*

|   | <u>2013</u>             | <u>2012</u>             |
|---|-------------------------|-------------------------|
| <b>REVENUES</b>   |                         |                         |
| City of Winnipeg  | \$ 4,082,552            | \$ 4,082,552            |
| Arts Development  | 73,265                  | 76,798                  |
| Other income  | 3,490                   | 18,162                  |
| Interest income   | 17,890                  | 15,179                  |
|   | <u>4,177,197</u>        | <u>4,192,691</u>        |
| <b>EXPENSES</b>   |                         |                         |
| Program expenses (Schedule of Expenses)                                 | 3,640,368               | 3,689,936               |
| Administrative expenses (Schedule of Expenses)                          | 489,940                 | 453,955                 |
|   | <u>4,130,308</u>        | <u>4,143,891</u>        |
| <b>OTHER PROJECTS</b>   |                         |                         |
| Cultural Capital of Canada contributions                                | -                       | 270,362                 |
| Cultural Capital of Canada expenses                                     | -                       | (214,997)               |
| Public Art revenues   | 202,293                 | 494,959                 |
| Public Art expenses (Schedule of Expenses)                              | (202,293)               | (494,959)               |
|   | <u>-</u>                | <u>55,365</u>           |
| <b>EXCESS OF REVENUES OVER EXPENSES<br/>BEFORE AMORTIZATION</b>         | <u>46,889</u>           | <u>104,165</u>          |
| <b>AMORTIZATION</b>   | <u>(14,218)</u>         | <u>(14,712)</u>         |
| <b>EXCESS OF REVENUES OVER<br/>EXPENSES AFTER AMORTIZATION (Note 6)</b> | <u><u>\$ 32,671</u></u> | <u><u>\$ 89,453</u></u> |

*See accompanying notes to the financial statements*

# WINNIPEG ARTS COUNCIL INC.

## STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

|   | Unrestricted     | Invested in<br>Capital Assets | Internally<br>Restricted | Total<br>2013     | Total<br>2012     |
|---|------------------|-------------------------------|--------------------------|-------------------|-------------------|
| Net assets, beginning of years                | \$ 54,165        | \$ 60,965                     | \$ 306,294               | \$ 421,424        | \$ 331,971        |
| Excess (deficiency) of revenues over expenses | 46,889           | (14,218)                      | -                        | 32,671            | 89,453            |
| Transfers (Note 6)                            | (15,000)         | -                             | 15,000                   | -                 | -                 |
| Net assets, end of years                      | <u>\$ 86,054</u> | <u>\$ 46,747</u>              | <u>\$ 321,294</u>        | <u>\$ 454,095</u> | <u>\$ 421,424</u> |

See accompanying notes to the financial statements

# WINNIPEG ARTS COUNCIL INC.

## STATEMENTS OF FINANCIAL POSITION

December 31

|   | 2013                | 2012         |
|---|---------------------|--------------|
| <b>ASSETS</b>                                 |                     |              |
| Current                                       |                     |              |
| Cash  | \$ 2,487            | \$ 65,978    |
| Term deposits                                 | 1,440,000           | 1,105,000    |
| Interest receivable                           | 11,919              | 5,672        |
| GST receivable                                | 3,625               | 9,177        |
| Prepaid expenses                              | 14,794              | 4,632        |
|   | <b>1,472,825</b>    | 1,190,459    |
| Equipment and leasehold improvements (Note 3) | <b>46,747</b>       | 60,965       |
|   | <b>\$ 1,519,572</b> | \$ 1,251,424 |
| <b>LIABILITIES</b>                            |                     |              |
| Current                                       |                     |              |
| Payables and accruals                         | \$ 6,760            | \$ 9,522     |
| Grant holdbacks (Note 4)                      | 99,699              | 132,500      |
| Deferred contributions (Note 5)               | 959,018             | 687,978      |
|   | <b>1,065,477</b>    | 830,000      |
| <b>NET ASSETS</b>                             |                     |              |
| Unrestricted                                  | 86,054              | 54,165       |
| Invested in Capital Assets                    | 46,747              | 60,965       |
| Internally Restricted (Note 8)                | 321,294             | 306,294      |
|   | <b>454,095</b>      | 421,424      |
|   | <b>\$ 1,519,572</b> | \$ 1,251,424 |
| Commitment (Note 7)                           |                     |              |

See accompanying notes to the financial statements

# WINNIPEG ARTS COUNCIL INC.

## STATEMENTS OF CASH FLOWS

*Year ended December 31*

|                                    | <u>2013</u>            | <u>2012</u>             |
|------------------------------------|------------------------|-------------------------|
| Cash derived from (applied to)     |                        |                         |
| <b><i>OPERATING</i></b>            |                        |                         |
| Excess of revenues over expenses   | \$ 32,671              | \$ 89,453               |
| Amortization                       | <u>14,218</u>          | <u>14,712</u>           |
|                                    | <u>46,889</u>          | <u>104,165</u>          |
| Change in non-cash working capital |                        |                         |
| Interest receivable                | (6,247)                | 1,063                   |
| GST receivable                     | 5,552                  | 11,161                  |
| Prepaid expenses                   | (10,162)               | 52,356                  |
| Payables and accruals              | (2,762)                | 4,523                   |
| Grant holdbacks                    | (32,801)               | 10,392                  |
| Deferred contributions             | <u>271,040</u>         | <u>(97,725)</u>         |
|                                    | <u>224,620</u>         | <u>(18,230)</u>         |
| <b><i>INVESTING</i></b>            |                        |                         |
| Purchase of term deposits          | <u>(335,000)</u>       | <u>(115,000)</u>        |
| <b><i>NET DECREASE IN CASH</i></b> | <b>(63,491)</b>        | <b>(29,065)</b>         |
| <b><i>CASH BALANCE</i></b>         |                        |                         |
| <i>Beginning of year</i>           | <u>65,978</u>          | <u>95,043</u>           |
| <i>End of year</i>                 | <u><u>\$ 2,487</u></u> | <u><u>\$ 65,978</u></u> |

*See accompanying notes to the financial statements*



# WINNIPEG ARTS COUNCIL INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

### 1. *Nature of Operations*

Winnipeg Arts Council Inc. (the Organization) funds, supports, and fosters development of the arts on behalf of the people of Winnipeg.

The Organization is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

### 2. *Significant Accounting Policies*

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are as follows:

#### a) **Equipment and leasehold improvements**

Equipment and leasehold improvements are recorded at cost. The Organization provides for amortization using the following methods at rates designed to amortize the cost of the equipment and leasehold improvements over their estimated useful lives. The annual amortization rates and methods are as follows:

|                        |                        |
|------------------------|------------------------|
| Office equipment       | 5 years Straight-line  |
| Furniture and fixtures | 10 years Straight-line |
| Computer equipment     | 3 years Straight-line  |

Amortization of leasehold improvements is recorded over the term of the lease.

#### b) **Revenue recognition**

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### c) **Accounting estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

#### d) **Financial instruments**

It is management's opinion that the Organization is not exposed to significant credit, currency, interest rate, liquidity, market or price risks arising from its financial instruments.

### 3. *Equipment and Leasehold Improvements*

|                        | <b>Cost</b>       | <b>Accumulated<br/>Amortization</b> | <b>2013<br/>Net Book<br/>Value</b> | <b>2012<br/>Net Book<br/>Value</b> |
|------------------------|-------------------|-------------------------------------|------------------------------------|------------------------------------|
| Office equipment       | \$ 6,574          | \$ 6,574                            | \$ -                               | \$ -                               |
| Furniture and fixtures | 29,664            | 18,602                              | 11,062                             | 14,028                             |
| Leasehold improvements | 104,258           | 68,573                              | 35,685                             | 46,110                             |
| Computer equipment     | 3,961             | 3,961                               | -                                  | 827                                |
|                        | <u>\$ 144,457</u> | <u>\$ 97,710</u>                    | <u>\$ 46,747</u>                   | <u>\$ 60,965</u>                   |

### 4. *Grant Holdbacks*

The Organization follows the policy of holding back a proportion of grants awarded in a year until certain completion criteria have been satisfied. Furthermore, some awards will be disbursed according to a cash flow schedule developed with the agreement of the recipient organizations. Accordingly, this account represents the award balances which will be disbursed in the future according to the specified guidelines.

At December 31, the composition of the holdbacks according to award category are as follows:

|                                 | <b>2013</b>      | <b>2012</b>       |
|---------------------------------|------------------|-------------------|
| Youth WITH ART                  | \$ 37,825        | 35,000            |
| Arts Development                | 29,000           | 1,000             |
| Project grants                  | 20,874           | 54,550            |
| Individual artist grants        | 12,000           | 28,200            |
| New Creations grants            | -                | 11,500            |
| Audience Development grants     | -                | 1,500             |
| Professional Development grants | -                | 750               |
|                                 | <u>\$ 99,699</u> | <u>\$ 132,500</u> |

### 5. *Deferred Contributions*

Deferred contributions represent restricted funding and unspent externally restricted resources which relate to the subsequent year.

Public Art relates to the design and execution of particular artworks to be created in public areas of Winnipeg. The commissioning and installation of public art projects is a multi-year process. This project is supported by a specified allocation from the City of Winnipeg. Financial support to individual artists is awarded on the recommendations of juries selected by the Organization.

5. *Deferred Contributions (continued)*

|   | 2013              | 2012              |
|---|-------------------|-------------------|
| Public Art                                |                   |                   |
| Contributions                             |                   |                   |
| City of Winnipeg                          | 466,400           | 467,596           |
| Other                                     | 6,933             | -                 |
| Transferred to revenue                    | (202,293)         | (494,959)         |
|   | <b>271,040</b>    | <b>(27,363)</b>   |
| Cultural Capital of Canada                |                   |                   |
| Contributions                             | -                 | 200,000           |
| Transferred to revenue                    | -                 | (270,362)         |
|   | <b>-</b>          | <b>(70,362)</b>   |
| Increase (decrease) during the year       | <b>271,040</b>    | <b>(97,725)</b>   |
| Deferred contributions, beginning of year | <b>687,978</b>    | <b>785,703</b>    |
| Deferred contributions, end of year       | <b>\$ 959,018</b> | <b>\$ 687,978</b> |

The following provides a breakdown by project of the unexpended balance:

|                                     | 2013              | 2012              |
|-------------------------------------|-------------------|-------------------|
| Public Art Projects                 |                   |                   |
| Broadway Light-based Sculptures     | \$ 292,463        | \$ 124,463        |
| St. Vital Duck Pond                 | 144,800           | -                 |
| WITH ART: Community Arts Projects   | 144,256           | 145,321           |
| Adsum Park                          | 89,500            | -                 |
| Artist in Residence - City Planning | 75,000            | -                 |
| Centre Venture Streetscaping        | 60,000            | -                 |
| Year of Urban Idea                  | 50,000            | -                 |
| Public Art Contingency              | 56,639            | 56,639            |
| Yellow Ribbon Greenway              | 15,000            | -                 |
| Public Education and Outreach       | 10,279            | -                 |
| Community Gardens                   | 10,187            | 13,302            |
| Snow Maze                           | 9,300             | -                 |
| Transcona Performance               | 1,040             | 4,053             |
| Disraeli Bridge                     | 554               | 34,000            |
| Rapid Transit Corridor              | -                 | 165,500           |
| Bijou Park                          | -                 | 134,500           |
| Millennium Park Literary Fence      | -                 | 7,928             |
| Osborne Bridge                      | -                 | 2,272             |
|                                     | <b>\$ 959,018</b> | <b>\$ 687,978</b> |

## 6. *Transfers*

During the year, the Board of Directors approved the following transfers:

\$5,000 (2012 - \$100,000) was transferred from unrestricted net assets to internally restricted net assets to be used for future Municipal Arts and Cultural Development programs. Specifically, \$5,000 of the current year surplus and \$50,000 of the prior year surplus have been designated to the Cultural Capital of Canada Legacy Event.

\$10,000 (2012 - \$31,603) was transferred from unrestricted net assets to internally restricted net assets to be used for Future Programs.

## 7. *Commitment*

The Organization has entered into a lease agreement at an annual cost of \$35,464. Commencing April 1, 2012, the rent will increase annually by the Consumer Price Index. The lease expires in 2017.

## 8. *Internally Restricted Net Assets*

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| Cash flow assistance                    | \$ 100,000        | \$ 100,000        |
| Future Programs                         | 84,270            | 74,270            |
| Municipal Arts and Cultural Development | <u>137,024</u>    | <u>132,024</u>    |
|   | <u>\$ 321,294</u> | <u>\$ 306,294</u> |

The allocation for cash flow assistance was made in order to provide cash flow assistance to client organizations until such time as operating grants for their use have been received by Winnipeg Arts Council Inc. from the City of Winnipeg.

The allocation for Future Programs is available for the development of new programs at the discretion of the Board of Directors.

The allocation to Municipal Arts and Cultural Development was made to finance future projects to engage the overall community in support of the arts in the City of Winnipeg. Certain of these allocations have been designated to the Cultural Capital of Canada Legacy Event, as detailed in Note 6.

## 9. *Economic Dependence*

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

## 10. *Endowment Fund*

In 2011, the Organization established an Endowment Fund through a \$20,000 contribution to be held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Organization annually to support general operations. As of December 31, 2013, the Organization's cumulative contributions to the Endowment Fund totaled \$20,000 (2012 - \$20,000) with a cumulative matching grant contribution of \$15,000 (2012 - \$15,000) from The Winnipeg Foundation. The market value of the Endowment Fund at December 31, 2013 is \$46,754 (2012 - \$39,309).

# WINNIPEG ARTS COUNCIL INC.

## SCHEDULE OF EXPENSES

*Year ended December 31*

|  | 2013                | 2012                |
|--|---------------------|---------------------|
| <b>PROGRAM EXPENSES</b>                              |                     |                     |
| Operating grants                                     | \$ 3,107,650        | \$ 3,107,650        |
| Project grants                                       | 199,240             | 210,000             |
| Individual artist grants                             | 146,350             | 173,000             |
| Professional development grants                      | 42,000              | 53,610              |
| Arts Development                                     | 103,538             | 86,895              |
| Youth WITH ART grant                                 | 15,000              | 17,500              |
| Jury honoraria and expenses                          | 16,722              | 23,825              |
| Translation services                                 | 3,618               | 11,206              |
| Carol Shields Winnipeg Book Award                    | 6,250               | 6,250               |
|  | <u>\$ 3,640,368</u> | <u>\$ 3,689,936</u> |
| <b>ADMINISTRATIVE EXPENSES</b>                       |                     |                     |
| Board and committee meetings                         | \$ 6,958            | \$ 6,121            |
| Hospitality and promotion                            | 5,043               | 2,664               |
| Professional and consultant fees                     | 23,762              | 22,255              |
| Professional development, membership and conferences | 4,281               | 3,946               |
| Rent   | 41,886              | 41,425              |
| Salaries and benefits                                | 365,557             | 341,505             |
| Supplies and other office expenses                   | 36,039              | 29,566              |
| Telecommunications                                   | 6,414               | 6,473               |
|  | <u>\$ 489,940</u>   | <u>\$ 453,955</u>   |
| <b>PUBLIC ART EXPENSES</b>                           |                     |                     |
| Administration                                       | \$ 75,006           | \$ 74,996           |
| Artists proposal expenses                            | 115                 | 1,000               |
| Commission fees                                      | 94,437              | 342,000             |
| Consultation   | 6,531               | 17,539              |
| Jury honoraria and expenses                          | 1,099               | 1,360               |
| Maintenance  | -                   | 12,651              |
| Public education                                     | 13,541              | 13,477              |
| Research, planning and marketing                     | 11,564              | 31,936              |
|  | <u>\$ 202,293</u>   | <u>\$ 494,959</u>   |

*See accompanying notes to the financial statements*

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF FINANCIAL POSITION

December 31

|  | 2013             | 2012             |
|--|------------------|------------------|
| <b>ASSETS</b>                            |                  |                  |
| Current assets                           |                  |                  |
| Cash                                     | \$ 40,660        | \$ 18,976        |
| GST receivable                           | 891              | 696              |
|  | <u>\$ 41,551</u> | <u>\$ 19,672</u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                  |                  |
| Current liabilities                      |                  |                  |
| Accounts payable and accrued liabilities | \$ -             | \$ 73            |
| <b>NET ASSETS</b>                        |                  |                  |
| Unrestricted                             | <u>41,551</u>    | <u>19,599</u>    |
|  | <u>\$ 41,551</u> | <u>\$ 19,672</u> |

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF OPERATIONS

*Year ended December 31*

|   | <u>2013</u>             | <u>2012</u>              |
|---|-------------------------|--------------------------|
| <b>REVENUE</b>  |                         |                          |
| City of Winnipeg operating grant                                | \$ 79,315               | \$ 88,128                |
| Other income  | -                       | 934                      |
|   | <u>79,315</u>           | <u>89,062</u>            |
| <br><b>EXPENDITURES</b>   |                         |                          |
| Administrative  | 8,187                   | 18,215                   |
| Development and research  | 7,805                   | 27,565                   |
| Foundation donation   | 20,000                  | 20,000                   |
| Language and literacy grants                                    | 3,000                   | 3,000                    |
| Promotion, advertising, and community outreach                  | 8,371                   | 12,087                   |
| Sponsorship   | 10,000                  | 10,000                   |
|   | <u>57,363</u>           | <u>90,867</u>            |
| <br><b>EXCESS (DEFICIENCY) OF REVENUE<br/>OVER EXPENDITURES</b> | <u><u>\$ 21,952</u></u> | <u><u>\$ (1,805)</u></u> |

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF CHANGES IN NET ASSETS

*Year ended December 31*

|  | <u>2013</u>             | <u>2012</u>             |
|--|-------------------------|-------------------------|
| <b>Net assets, beginning of year</b>             | \$ 19,599               | \$ 21,404               |
| Excess (deficiency) of revenue over expenditures | <u>21,952</u>           | <u>(1,805)</u>          |
| <b>Net assets, end of year</b>                   | <u><u>\$ 41,551</u></u> | <u><u>\$ 19,599</u></u> |



# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF CASH FLOWS

December 31

### **OPERATING ACTIVITIES**

|  | <u>2013</u>      | <u>2012</u>      |
|--|------------------|------------------|
| Excess (deficiency) of revenue over expenditures | \$ 21,952        | \$ (1,805)       |
| Change in non-cash working capital:              |                  |                  |
| GST receivable                                   | (195)            | (345)            |
| Accounts payable and accrued liabilities         | (73)             | (868)            |
| Library Advisory Committees payable              | <u>-</u>         | <u>(513)</u>     |
| Net (decrease) increase in cash flow             | 21,684           | (3,531)          |
| CASH, beginning of year                          | <u>18,976</u>    | <u>22,507</u>    |
| CASH, end of year                                | <u>\$ 40,660</u> | <u>\$ 18,976</u> |

# WINNIPEG PUBLIC LIBRARY BOARD

## NOTES TO FINANCIAL STATEMENTS

*For the year ended December 31, 2013*

### **1. Purpose of the Organization:**

The Winnipeg Public Library Board (the "organization") was established through the enactment of a City of Winnipeg by-law to provide guidance with respect to improving the City's library system. It is a not-for-profit organization that is exempt from income tax under provisions of the *Income Tax Act*.

### **2. Significant accounting policies:**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements have been prepared using the following accounting policies:

#### **a) Critical accounting estimates and judgments-**

The preparation of financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgements, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

#### **b) Financial instruments**

Except for certain related party transactions, financial instruments are measure at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in the difference between revenues and expenses for the period incurred.

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs

## **b) Financial instruments (continued)**

that may incur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures cash and accounts payable and accrued liabilities amortized cost.

The Organization assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in the difference between revenues and expenses.

## **c) Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses occur. Unrestricted contributions are recognized as revenue of the when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenue is recognized when incurred and when collection can be reasonably assured.

As is common with many not-for-profit organizations, the Organization receives contributions in the form of goods and services. Because of the difficulty of determining their value, contributed goods and services are not recognized in the financial statements.

## **d) Capital assets**

The average annual revenues recognized in the statement of operations for the current and preceding period of the Organization was less than \$500,000. Since the organization met criteria for small not-for-profit organizations, it does not record the acquisition of capital assets. These acquisitions are expensed at the date of acquisition. No capital assets were acquired or expensed in the statement of operations (2012 - \$nil).

## **3. *Economic dependence:***

The organization is dependent on the City of Winnipeg as its primary source of revenue. Should this funding substantially change, management is of the opinion that continued viable operations would be doubtful.

## **4. *Risk management:***

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

#### **4. Risk management (continued):**

##### **Liquidity risk -**

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main source of liquidity is its operations. The funds are primarily used to finance working capital requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

##### **Credit risk -**

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Organization has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Organization also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded for accounts receivable.

# ASSINIBOINE PARK CONSERVANCY INC.

## BALANCE SHEET

December 31, 2013

|  | <u>2013</u>           | <u>2012</u>          |
|--|-----------------------|----------------------|
| <b>ASSETS</b>                                  |                       |                      |
| <b>CURRENT</b>                                 |                       |                      |
| Cash and short-term investments (Note 3)       | \$ 10,030,750         | \$ 4,667,758         |
| Accounts receivable                            | 154,378               | 64,722               |
| Government remittances receivable              | 251,265               | 451,510              |
| Construction advance receivable (Note 4)       | 2,189,821             | 2,219,279            |
| Inventory                                      | 177,985               | 142,971              |
| Prepaid expenses                               | 350,522               | 115,430              |
|  | <u>13,154,721</u>     | <u>7,661,670</u>     |
| CAPITAL ASSETS (Note 5)                        | 84,035,016            | 61,020,849           |
| ART COLLECTIONS (Note 6)                       | 13,542,552            | 13,542,552           |
| EMPLOYEE BENEFITS RECEIVABLE (Note 7)          | 532,525               | 515,203              |
|  | <u>\$ 111,264,814</u> | <u>\$ 82,740,274</u> |
| <b>LIABILITIES</b>                             |                       |                      |
| <b>CURRENT</b>                                 |                       |                      |
| Accounts payable and accrued liabilities       | \$ 9,017,215          | \$ 10,804,231        |
| Deferred contributions - operating (Note 8)    | 158,949               | 149,188              |
| Notes payable (Note 9)                         | 13,900,000            | 8,975,000            |
| Current portion of long-term debt (Note 10)    | 382,000               | -                    |
|  | <u>23,458,164</u>     | <u>19,928,419</u>    |
| DEFERRED CONTRIBUTIONS -<br>OPERATING (Note 8) | 526,386               | 507,916              |
| DEFERRED CONTRIBUTIONS -<br>CAPITAL (Note 11)  | 71,910,875            | 48,592,995           |
| LONG-TERM DEBT (Note 10)                       | 1,632,244             | -                    |
| ACCRUED EMPLOYEE BENEFITS (Note 7)             | 301,358               | 284,036              |
|  | <u>97,829,027</u>     | <u>69,313,366</u>    |
| COMMITMENTS (Note 16)                          |                       |                      |
| <b>NET ASSETS</b>                              |                       |                      |
| Restricted (Notes 2(c) and 6)                  | 13,542,552            | 13,467,552           |
| Unrestricted                                   | (106,765)             | (40,644)             |
|  | <u>13,435,787</u>     | <u>13,426,908</u>    |
|  | <u>\$ 111,264,814</u> | <u>\$ 82,740,274</u> |

# ASSINIBOINE PARK CONSERVANCY INC.

## STATEMENTS OF OPERATIONS

*For the Year ended December 31, 2013*

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| <b>REVENUE</b>                                  |                   |                   |
| City of Winnipeg (Note 12)                      | \$ 12,207,796     | \$ 11,875,493     |
| Other operating grants                          | 137,333           | 172,771           |
| Gifts and sponsorships                          | 499,178           | 477,874           |
| Amortization of deferred contributions          | 3,491,725         | 2,941,064         |
| Park revenues                                   | <u>7,460,181</u>  | <u>5,196,003</u>  |
|   | 23,796,213        | 20,663,205        |
| Direct costs of park revenues (Note 12)         | <u>5,120,555</u>  | <u>4,448,064</u>  |
|   | <u>18,675,658</u> | <u>16,215,141</u> |
| <b>EXPENSE</b>                                  |                   |                   |
| Administration (Notes 9 and 12)                 | 1,700,596         | 1,620,510         |
| Amortization of capital assets                  | 3,364,825         | 2,205,191         |
| Insurance                                       | 148,288           | 124,822           |
| Operations (Note 12)                            | 1,819,238         | 1,666,144         |
| Utilities (Note 12)                             | 966,253           | 824,262           |
| Wages, benefits and contract services (Note 12) | <u>10,667,579</u> | <u>9,770,630</u>  |
|   | <u>18,666,779</u> | <u>16,211,559</u> |
| <b>EXCESS OF REVENUE OVER EXPENSE</b>           | <u>\$ 8,879</u>   | <u>\$ 3,582</u>   |

# ASSINIBOINE PARK CONSERVANCY INC.

## STATEMENTS OF CHANGES IN NET ASSETS

*Year ended December 31, 2013*

|                                | <u>Restricted<br/>Net Assets</u> | <u>Unrestricted<br/>Net Assets</u> | <u>2013<br/>Total</u> | <u>2012<br/>Total</u> |
|--------------------------------|----------------------------------|------------------------------------|-----------------------|-----------------------|
| Balance, beginning of year     | \$ 13,467,552                    | \$ (40,644)                        | \$ 13,426,908         | \$ 13,413,665         |
| Gift of art                    | -                                | -                                  | -                     | 9,661                 |
| Repayment of long-term debt    | 75,000                           | (75,000)                           | -                     | -                     |
| Excess of revenue over expense | <u>-</u>                         | <u>8,879</u>                       | <u>8,879</u>          | <u>3,582</u>          |
| Balance, end of year           | <u>\$ 13,542,552</u>             | <u>\$ (106,765)</u>                | <u>\$ 13,435,787</u>  | <u>\$ 13,426,908</u>  |

# ASSINIBOINE PARK CONSERVANCY INC.

## STATEMENTS OF CASH FLOWS

For the Year ended December 31, 2013

|   | 2013          | 2012         |
|---|---------------|--------------|
| <b>OPERATING ACTIVITIES</b>                                       |               |              |
| Excess of revenue over expense                                    | \$ 8,879      | \$ 3,582     |
| Items not affecting cash:   |               |              |
| Amortization of capital assets                                    | 3,364,825     | 2,205,191    |
| Amortization of deferred contributions                            | (3,491,725)   | (2,941,064)  |
|   | (118,021)     | (732,291)    |
| Changes in non-cash operating working capital items:              |               |              |
| Accounts receivable   | (89,656)      | 15,113       |
| Government remittances receivable                                 | 200,245       | (217,377)    |
| Inventory   | (35,014)      | (48,913)     |
| Prepaid expenses  | (235,092)     | (23,209)     |
| Accounts payable and accrued liabilities                          | (1,787,016)   | 4,507,633    |
| Construction advance receivable                                   | 29,458        | (1,890,825)  |
| Deferred contributions - operating                                | 28,231        | (111,522)    |
|   | (2,006,865)   | 1,498,609    |
| <b>FINANCING ACTIVITIES</b>                                       |               |              |
| Deferred contributions - capital                                  | 26,809,605    | 20,192,286   |
| Proceeds from notes payable                                       | 5,000,000     | 6,000,000    |
| Repayment of notes payable  | (75,000)      | (75,000)     |
| Proceeds from long-term debt                                      | 2,532,586     | -            |
| Repayment of long-term debt                                       | (518,342)     | -            |
| Change in employee benefits receivable                            | (17,322)      | 40,919       |
| Change in accrued employee benefits                               | 17,322        | (40,919)     |
|   | 33,748,849    | 26,117,286   |
| <b>INVESTING ACTIVITY</b>   |               |              |
| Acquisition of capital assets                                     | (26,378,992)  | (28,563,443) |
| <b>NET (DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS</b> | 5,362,992     | (947,548)    |
| <b>CASH AND SHORT-TERM INVESTMENTS, beginning of year</b>         | 4,667,758     | 5,615,306    |
| <b>CASH AND SHORT-TERM INVESTMENTS, end of year</b>               | \$ 10,030,750 | \$ 4,667,758 |



# ASSINIBOINE PARK CONSERVANCY INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### 1. *Description of Assiniboine Park Conservancy Inc. ("The Conservancy")*

On July 16, 2006 Winnipeg City Council adopted a new governance model for Assiniboine Park ("the Park"), which called for the establishment of a not-for-profit entity to oversee the operation and development of the Park for the benefit of the community. Under the new governance model, Assiniboine Park Conservancy Inc. was created on April 17, 2008 with an independent Board of Directors, appointed with representation from all three levels of government and the private sector, to govern at arm's length from the City of Winnipeg ("the City").

Through a fifty year Lease and Funding Agreement with the Conservancy, which came into effect on October 1, 2010, the City retains ownership of the Park and all of its assets. Under this agreement, the City provides an annual grant to support the operation and maintenance of the Park and is committed to a 25% share of the cost of major capital redevelopment of Park attractions and amenities. It is intended that the Province of Manitoba, the federal government and the private sector will also be partners in the redevelopment over the next 10 to 15 years.

The Conservancy became a registered charity under the Income Tax Act on January 1, 2009 and is exempt from income taxes.

### 2. *Significant Accounting Policies*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### **a) Revenue recognition**

The Conservancy follows the deferral method of accounting for revenues. Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted revenues are recognized in accordance with the restrictions placed on them by the funder.

Unrestricted gifts are recognized as revenue in the period in which the gifts are received. Gifts that are restricted by the donor are deferred, and then recognized in the year in which the related restriction is met.

Pledges receivable from donors have not been recognized in these financial statements.

Park revenues, which include revenues from zoo admissions, food, beverage and retail sales, education programming, hosting of private functions and public fundraisers, are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured.

## 2. *Significant Accounting Policies (continued)*

### **b) Capital assets**

Capital assets are recorded at cost. Contributed capital assets are recorded at their fair value at the date of contribution. Amortization is recorded on a straight-line basis over the assets estimated useful life as follows:

|                            |               |
|----------------------------|---------------|
| Park facility improvements | 10 - 40 years |
| Grounds improvements       | 5 - 20 years  |
| Park equipment and systems | 5 - 20 years  |
| Moving equipment           | 5 - 15 years  |

Park facility improvements include new buildings and exhibits, and major improvements to existing buildings and exhibits in the Park. Grounds improvements include major improvements to roadways, parking lots, landscaping, lighting, pathways and signage. Park equipment and systems include information technology, security and safety systems, temporary structures, computer equipment, office furniture and fixtures, playground equipment, benches, picnic tables and other Park equipment, retail equipment and minor improvements to existing buildings. Moving equipment includes grounds maintenance and sanitation equipment, the Park vehicle fleet and people movers.

Construction in progress includes the costs associated with the construction of new Park facilities, grounds improvements and major upgrades to existing facilities within the Park. Amortization of these assets will commence when the asset is determined to be ready for use or put into service.

### **c) Art collections**

Art collections gifted to the Conservancy are recorded at their appraised fair market values at the date of the gift. Art collections that are purchased by the Conservancy are recorded at the cost of the purchase. The art collections are capitalized on the balance sheet and no amortization is recorded.

The Conservancy is precluded from selling the art in the collections. Should artwork be damaged or stolen, the proceeds of an insurance claim would either be used to restore the artwork, to acquire new pieces of art for the collection or for the direct care of the remaining collection.

### **d) Financial instruments**

Financial assets and financial liabilities are initially recognized at fair value. The Conservancy subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Conservancy recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an

## **2. *Significant Accounting Policies (continued)***

event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

### **e) Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are the determination of the useful lives of the capital assets and the amount of the employee benefits receivable and accrued employee benefits. Actual results could differ from these estimates.

## **3. *Cash and Short-Term Investments***

Cash and short-term investments consist of cash on hand and balances with banks. Included in cash and short-term investments is restricted cash held in a joint bank account with a construction company for the payment of holdbacks in the amount of \$3,287,411 (2012 - \$1,480,704).

## **4. *Construction Advance Receivable***

As of December 31, 2013, the Province of Manitoba has committed \$30 million to assist in funding the construction of the new International Polar Bear Conservation Centre ("IPBCC") and Polar Bear Facilities which will include the Gateway to the Arctic Building, the Animal Holding and Filtration System Building and the Polar Plunge. Under a construction management agreement between the Conservancy and the Province, the Conservancy is acting as the construction manager for the IPBCC and the Polar Bear Facilities which, when completed, will become Provincially owned buildings. As a result, these capital assets do not appear on the Conservancy's balance sheet.

As at December 31, 2013, the Province advanced the Conservancy \$27,810,179 (2012 - \$14,635,881) to fund the construction of the IPBCC and the Polar Bear Facilities. As at December 31, 2013, \$30,000,000 (2012 - \$16,855,160) in costs were incurred on behalf of the Province, resulting in a construction advance receivable of \$2,189,821 (2012 - \$2,219,279).

In addition, the Province has also committed an additional \$4 million in capital grants for the Journey to Churchill, \$1 million of which was received in 2010 and \$3 million of which will be received in 2014. This \$3 million grant was pledged in support of a portion of the cost of Northern Interpretation and the Churchill Townsite, which will also be part of Assiniboine Park Zoo's new exhibit called the Journey to Churchill. Subsequent to year end, \$1.5 million of the \$3 million grant was received.

The Conservancy and the Province have a long-term Ground Sublease Agreement which provides the Province with a sublease on the land on which the IPBCC and the Polar Bear Facilities will be located within the Park. A third agreement has been signed, which gives the Conservancy responsibility for operating these buildings. Under the Operations Agreement, the Province will provide future capital funding for required capital repairs and replacements to the IPBCC and the Polar Bear Facilities to ensure that it continues to meet the standards of the Province over the term of the Ground Sublease Agreement. In a fourth agreement, the Province has assumed the responsibility of providing insurance for the IPBCC and the Polar Bear Facilities.

## 5. *Capital Assets*

|                            | 2013                 |                          |                      | 2012                 |
|----------------------------|----------------------|--------------------------|----------------------|----------------------|
|                            | Cost                 | Accumulated Amortization | Net Book Value       | Net Book Value       |
| Park facility improvements | \$ 31,828,561        | \$ 2,230,360             | \$ 29,598,201        | \$ 21,061,948        |
| Grounds improvements       | 7,219,763            | 1,429,310                | 5,790,453            | 5,888,716            |
| Park equipment and systems | 10,942,302           | 2,854,490                | 8,087,812            | 6,289,543            |
| Moving equipment           | 1,045,783            | 202,093                  | 843,690              | 834,841              |
| Construction in progress   | 39,714,860           | -                        | 39,714,860           | 26,945,801           |
|                            | <u>\$ 90,751,269</u> | <u>\$ 6,716,253</u>      | <u>\$ 84,035,016</u> | <u>\$ 61,020,849</u> |

Included in construction in progress is capitalized interest of \$196,158 (2012 - \$91,652).

## 6. *Art Collections*

The art collections include approximately 4,066 works of art held for public exhibition and education. The art collections include the works of Ivan Eyre, Walter J. Phillips, Clarence Tillenius, E.H. Sheppards' portrait of Winnie the Pooh and A.A. Milne's book, titled "Now We are Six".

The Conservancy did not purchase any works of art, was not the recipient of any gifted art collections, nor did it dispose of any works of art during the year ending December 31, 2013.

## 7. *Employee Benefits Receivable and Accrued Employee Benefits*

Under the Lease and Funding Agreement between the Conservancy and the City, the City is responsible for funding all labour costs associated with CUPE 500 members who were previously employed by the City in Assiniboine Park Zoo and the Conservatory. Accordingly, included in the employee benefits receivable is an amount due from the City of Winnipeg of \$231,167 (2012 - \$231,167) which represents the vacation pay earned by CUPE 500 employees while they were employed by the City of Winnipeg to September 30, 2010. The liability for this accrued vacation pay is included in accounts payable and accrued liabilities.

Under the collective agreements with CUPE 500, employees are also entitled to certain employee benefit payouts on retirement, which will be honored by the Conservancy at a future date when these employees retire. Included in the employee benefits receivable is an amount of \$301,358 (2012 - \$284,036), which represents the amount due from the City of Winnipeg to fund a sick pay severance liability payable to these employees as of September 30, 2010. Also recorded is the corresponding long-term liability to these employees which will be paid out to them upon retirement. It is expected that insignificant payouts to employees will occur in 2014 and therefore the receivable and liability are both recorded as long-term.

## 8. *Deferred Contributions - Operating*

The balance in current deferred contributions - operating at December 31, 2013 represents \$135,212 (2012 - \$107,285) of specially designated funds to be used to offset 2014 operating costs and \$23,737 (2012 - \$41,903) of funds to be used to offset 2014 costs of conservation and research activities. The balance also includes \$526,386 in funds that are to be used specifically in maintaining the Leo Mol Sculpture Garden. The Conservancy does not anticipate having to use any of these funds in 2014 and therefore the \$526,386 (2012 - \$507,916) has been classified as long-term in nature.

## 9. Notes Payable

The Conservancy signed a commitment letter with a financial institution for a \$17 million loan facility for the purpose of bridge financing the construction of the Journey to Churchill. As at December 31, 2013, the Conservancy has drawn \$11,000,000 against this facility to finance construction costs and plans to use the remaining amount to substantially complete the Journey to Churchill in 2014. The demand loan is secured with a guarantee signed by the City of Winnipeg and is repayable in full by December 31, 2016. Interest on the loan is at prime less 0.75%.

In 2011, the Province of Manitoba advanced the Conservancy \$2,900,000 for the completion of the International Polar Bear Conservation Centre. The advance is secured by a \$2,900,000 promissory note bearing interest at prime plus .25%, compounded monthly, with no monthly repayments. The note is repayable on demand on or before December 31, 2014 and is therefore classified on the balance sheet as a current liability. Included in administration expense is interest on the note payable to the Province of \$101,017 (2012 - \$96,652).

On January 1, 2011, in conjunction with the gifting of the art collections by Pavilion Gallery Museum Inc., the Conservancy assumed responsibility for the repayment of a private loan. The final payment of this loan was made during the year (2012 - balance owing of \$75,000).

Required principal repayments over the next three years are as follows:

|      |              |
|------|--------------|
| 2014 | \$ 2,900,000 |
| 2015 | -            |
| 2016 | 11,000,000   |

Subsequent to year end, the Conservancy has drawn the remaining \$6 million against the \$17 million loan facility.

## 10. Long-Term Debt

During the current year, the Conservancy entered into an agreement with Manitoba Hydro to finance the first phase of the park's underground electrical service which was required as part of the Journey to Churchill project. The loan bears interest at 3.65% and has a 70 month term ending in February 2019. Interest on the loan is payable monthly and an aggregate annual principal repayment ranging from \$250,000 to \$274,478 is required in January of each fiscal year.

During the current year, APC entered into an agreement with a private company to finance the cost of new trailers acquired to provide administrative offices for Conservancy staff. The loan is interest free and is repayable in monthly payments of \$11,000 ending in May 2017.

|                             | 2013                | 2012        |
|-----------------------------|---------------------|-------------|
| Manitoba Hydro loan payable | \$ 1,564,748        | \$ -        |
| Private loan payable        | 449,496             | -           |
|                             | <u>2,014,244</u>    | <u>-</u>    |
| Less: Current portion       | (382,000)           | -           |
|                             | <u>\$ 1,632,244</u> | <u>\$ -</u> |

###### 10. Long-Term Debt (continued)

Scheduled principal payments on long-term debt, in each of the next six years are as follows:

|      |            |
|------|------------|
| 2014 | \$ 382,000 |
| 2015 | 382,000    |
| 2016 | 382,000    |
| 2017 | 323,497    |
| 2018 | 270,000    |
| 2019 | 274,748    |

###### 11. Deferred Contributions - Capital

During the year, the Conservancy received contributions totaling \$26,809,605 (2012 - \$20,192,286) related to designated capital projects. These restricted contributions are deferred and recognized as revenue on the same basis as the amortization expense related to the designated capital projects.

|  | 2013                 | 2012                 |
|--|----------------------|----------------------|
| Balance, beginning of year             | \$ 48,592,995        | \$ 31,341,773        |
| Contributions received                 | 26,809,605           | 20,192,286           |
| Amortization of deferred contributions | (3,491,725)          | (2,941,064)          |
| Balance, end of year                   | <u>\$ 71,910,875</u> | <u>\$ 48,592,995</u> |

Pledges made by donors are not recognized as contributions until received from the donor in cash or in kind.

###### 12. City of Winnipeg

The City of Winnipeg (the "City") is a significant operating partner of the Conservancy, providing the majority of its operating funding in 2013 through an annual operating grant. The City has also committed to providing a 25% investment in the capital redevelopment of Assiniboine Park, as described in Note 1, and provides an annual capital grant for the capital refurbishment of existing buildings, exhibits and amenities in the Park.

A summary of the City of Winnipeg account balances and transactions as at and for the year ending December 31, 2013 are noted below.

### City of Winnipeg balances

As described in Note 7, as at December 31, 2013, the Conservancy has a long-term receivable of \$532,525 (2012 - \$515,203) from the City relating to employee benefits for CUPE 500 who were previously employed by the City.

Included in capital assets for the year ending December 31, 2013, are amounts capitalized of \$nil (2012 - \$160,037) relating to grounds improvements, computers, benches, picnic tables, vehicles and safety equipment purchased from the City and work performed on small capital projects by City of Winnipeg employees, through its service level agreements with the Conservancy.

Included in accounts payable and accrued liabilities at December 31, 2013, are amounts due to the City of \$271,014 (2012 - \$137,902).

## 12. City of Winnipeg (continued)

### City of Winnipeg transactions

During the year, the Conservancy recognized funding received from the City of Winnipeg into operating revenue as follows:

|                         | <b>2013</b>                 | 2012                        |
|-------------------------|-----------------------------|-----------------------------|
| 2013 funding recognized | <b>\$ 12,207,000</b>        | \$ -                        |
| 2012 funding recognized | <b>-</b>                    | 11,867,000                  |
| Cash gift               | <b>796</b>                  | 8,493                       |
|                         | <b><u>\$ 12,207,796</u></b> | <b><u>\$ 11,875,493</u></b> |

Additionally, during the year, the Conservancy received capital contributions of \$15,749,000 (2012 - \$13,323,000) from the City of Winnipeg. These amounts have been included as deferred contributions - capital, on the balance sheet, and are recognized into revenue consistent with the amount of amortization calculated on the capital assets that the funding was used to acquire.

Included in direct costs of park revenues are advertising costs paid to the City of \$15,831 (2012 - \$15,002).

Included in administration expense are licenses, land lease and human resource costs paid to the City of \$7,908 (2012 - \$6,424). Included in operations expense are waste disposal, horticulture, maintenance and fleet costs paid to the City of \$69,742 (2012 - \$96,935). Included in utilities expense are water costs paid to the City of \$192,981 (2012 - \$278,716). Included in wages, benefits and contract services are contract services under service level agreements with Public Works and Municipal Accommodations of \$nil (2012 - \$15,080).

## 13. Endowments Held by the Winnipeg Foundation

The Conservancy is the beneficiary of five endowment funds, held and controlled by the Winnipeg Foundation, as of December 31, 2013. The Winnipeg Foundation retains title to the investments and receives a management fee not to exceed one-half percent of the opening market value of the contributed capital in the Funds at October 1 each year. The Conservancy receives an annual income distribution based on the Foundation's income distribution policy, net of the management fee and investment fees.

The market value of the Funds held by Conservancy in the Winnipeg Foundation at December 31 are as follows:

|                                      | <b>2013</b>              | 2012                     |
|--------------------------------------|--------------------------|--------------------------|
| Lytic Program Fund                   | <b>\$ 76,379</b>         | \$ 67,265                |
| Assiniboine Park Bandshell Inc. Fund | <b>254,208</b>           | 222,518                  |
| Assiniboine Park Zoo Endowment Fund  | <b>19,059</b>            | 16,679                   |
| Leo Mol Sculpture Garden Fun         | <b>184,040</b>           | 154,955                  |
| Assiniboine Park Conservancy Fund    | <b>24,699</b>            | 12,588                   |
|                                      | <b><u>\$ 558,385</u></b> | <b><u>\$ 474,005</u></b> |

The purpose of the Lyric Program Fund and the Assiniboine Park Bandshell Inc. Funds is to provide income to support the operation and ongoing maintenance of the Lyric Theatre. The purpose of the Assiniboine Park Zoo Endowment Fund is to provide income to support the operation and on-going maintenance of Assiniboine Park Zoo. The purpose of the Leo Mol Sculpture garden Fund is to upkeep, maintain and sustain the Leo Mol Sculpture Garden located within the Assiniboine Park. The Assiniboine

### ***13. Endowments Held by the Winnipeg Foundation (continued)***

Park Conservancy Fund is designated as a general fund to be used at the discretion of the Board of Directors of the Conservancy.

During the year, the Winnipeg Foundation distributed \$12,658 (2012 - \$10,477) in income to the Conservancy from these Funds.

### ***14. Capital Management***

The objective of the Board of Directors of Assiniboine Park Conservancy Inc., when managing capital, is to safeguard the ability of the Conservancy to continue as a going concern. The Board of Directors considers capital management in two components: First, for the Conservancy's capital activities, capital is raised through government contributions and private sector fundraising. Authorization of capital projects is provided as funding for each redevelopment project is confirmed. Second, for the Conservancy's operating activities, the Board seeks to operate with a modest surplus annually so that sufficient net assets are retained to manage the risk inherent in the Conservancy's expanding operations. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. There have been no significant changes to the Board's capital management policy in the past year.

### ***15. Non-Monetary Transactions***

During the year, the Conservancy received amounts for operating purposes of \$53,825 (2012 - \$22,376) without consideration. The Conservancy also received goods and services without consideration which were capitalized as capital assets of \$50,000 (2012 - \$nil) and capitalized as art collections of \$nil (2012 - \$9,661).

The transactions were recorded at the fair value of the goods or services received.

### ***16. Commitments***

The Conservancy has numerous capital contractual agreements with companies to construct the Polar Bear Facilities, Journey to Churchill exhibitry and interpretation and other ongoing capital projects at the Park. Total contract values committed to under signed agreements as at December 31, 2013 is \$15,638,373. These amounts are to be paid over the construction period of the projects expected to be ready for use in future years.



2013 OTHER



Photo: Dan Harper

DETAILED FINANCIAL STATEMENTS

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

His Worship the Mayor  
and Members of the Council  
of the City of Winnipeg

Ladies and Gentlemen:

Pursuant to the requirements of **The City of Winnipeg Charter**, the Sinking Fund Trustees submit the 2013 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported a net loss of \$3,001,000 for the year ended December 31, 2013 and a balance of deficit in the amount of \$9,404,000 as at December 31, 2013.

The rates of interest earned by the Fund for the years 2004 to 2013 are shown below:

|           |       |           |       |
|-----------|-------|-----------|-------|
| 2004..... | 6.27% | 2009..... | 4.39% |
| 2005..... | 5.55% | 2010..... | 3.81% |
| 2006..... | 5.41% | 2011..... | 3.41% |
| 2007..... | 5.46% | 2012..... | 2.95% |
| 2008..... | 5.15% | 2013..... | 3.30% |

Changes in the sinking fund reserve during 2013 are summarized as follows. The total reserve for retirement of debenture debt decreased to \$288,065,000 as at December 31, 2013 (2012 - \$370,194,000) of which \$107,000,000 represents full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

Sinking funds are invested in securities with maturities which closely match the current position of related reserves.

Respectfully submitted,

**E. STEFANSON** Chairman

**J. L. FERRIER** Trustee

**N. THEODOROU** Trustee

**G. STESKI** Trustee

**L. DERRY** Secretary

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## STATEMENT OF FINANCIAL POSITION

*As at December 31*

*(in thousands of dollars)*

|   | <b>December 31<br/>2013</b> | December 31<br>2012 |
|---|-----------------------------|---------------------|
| <b>ASSETS</b>                                     |                             |                     |
| Cash and short-term investments (Note 3)          | \$ <b>61,793</b>            | \$ 43,272           |
| Accrued interest receivable                       | <b>3,867</b>                | 4,707               |
| Investment in bonds and debentures (Schedule 1)   | <b>215,337</b>              | 318,515             |
|   | <b>\$ 280,997</b>           | \$ 366,494          |
| <b>LIABILITIES, RESERVE AND SURPLUS</b>           |                             |                     |
| Accrued interest payable (Note 5)                 | <b>2,321</b>                | 2,688               |
| Accrued liabilities                               | <b>15</b>                   | 15                  |
|   | <b>2,336</b>                | 2,703               |
| Reserve for retirement of debenture debt (Note 6) | <b>288,065</b>              | 370,194             |
| (Deficit) (Note 9)                                | <b>(9,404)</b>              | (6,403)             |
|   | <b>\$ 280,997</b>           | \$ 366,494          |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## STATEMENT OF LOSS

*For the years ended December 31  
(in thousands of dollars)*

|   | <u>2013</u>              | <u>2012</u>              |
|---|--------------------------|--------------------------|
| Interest income (Schedule 2)                          | \$ 12,727                | \$ 15,173                |
| Interest requirements - debenture debt reserves       | (9,010)                  | (11,951)                 |
| Interest requirements - Manitoba Hydro bonds (Note 8) | <u>(7,186)</u>           | <u>(8,023)</u>           |
| (Deficit) of interest earned under requirements       | (3,469)                  | (4,801)                  |
| Net gain on disposal of investments                   | <u>593</u>               | <u>758</u>               |
|   | (2,876)                  | (4,043)                  |
| Administration expenses                               | <u>125</u>               | <u>133</u>               |
| Net loss for the year                                 | <u><u>\$ (3,001)</u></u> | <u><u>\$ (4,176)</u></u> |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## STATEMENT OF DEFICIT

*For the years ended December 31  
(in thousands of dollars)*

|                               | <u>2013</u>              | <u>2012</u>              |
|-------------------------------|--------------------------|--------------------------|
| Balance, beginning of year    | \$ (6,403)               | \$ (2,227)               |
| Less:                         |                          |                          |
| Net loss for the year         | <u>(3,001)</u>           | <u>(4,176)</u>           |
| Balance, end of year (Note 9) | <u><u>\$ (9,404)</u></u> | <u><u>\$ (6,403)</u></u> |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

*For the years ended December 31  
(in thousands of dollars)*

|   | <u>2013</u>              | <u>2012</u>              |
|---|--------------------------|--------------------------|
| Balance, beginning of year                  | \$ 370,194               | \$ 349,382               |
| Add:  |                          |                          |
| Installments - City of Winnipeg (Note 8)    | 8,861                    | 8,861                    |
| Interest credited - debenture debt reserves | <u>9,010</u>             | <u>11,951</u>            |
|   | 388,065                  | 370,194                  |
| Deduct:                                     |                          |                          |
| Applied to debt redemption (Note 6)         | <u>100,000</u>           | <u>-</u>                 |
| Balance, end of year                        | <u><u>\$ 288,065</u></u> | <u><u>\$ 370,194</u></u> |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## STATEMENT OF CASH FLOWS

*For the years ended December 31  
(in thousands of dollars)*

|  | <u>2013</u>      | <u>2012</u>      |
|--|------------------|------------------|
| <b><i>CASH PROVIDED BY (USED IN)</i></b>               |                  |                  |
| <b><i>OPERATING ACTIVITIES</i></b>                     |                  |                  |
| Net loss   | \$ (3,001)       | \$ (4,176)       |
| Income accrued - bond residues and coupons             | (311)            | (468)            |
| Net bond premium amortization                          | 1,341            | 3,324            |
| Interest requirements - debenture debt reserves        | 9,010            | 11,951           |
| Net gain on disposal of investments                    | (593)            | (758)            |
| Change in non-cash operating accounts                  | 473              | 114              |
|  | <u>6,919</u>     | <u>9,987</u>     |
| <b><i>FINANCING ACTIVITIES</i></b>                     |                  |                  |
| Applied to debt redemption (Note 6)                    | (100,000)        | -                |
| Installments - City of Winnipeg (Note 8)               | 8,861            | 8,861            |
|  | <u>(91,139)</u>  | <u>8,861</u>     |
| <b><i>INVESTING ACTIVITIES</i></b>                     |                  |                  |
| Acquisition of investments in bonds and debentures     | (46,546)         | (19,236)         |
| Proceeds from bond and debenture sales                 | 15,576           | 15,078           |
| Proceeds from bond and debenture maturities            | 133,711          | 26,085           |
|  | <u>102,741</u>   | <u>21,927</u>    |
| Increase (Decrease) in cash and short-term investments | 18,521           | 40,775           |
| Cash and short-term investments, beginning of period   | 43,272           | 2,497            |
| Cash and short-term investments, end of period         | <u>\$ 61,793</u> | <u>\$ 43,272</u> |
| Cash and short-term investments consists of:           |                  |                  |
| Cash   | \$ 4,305         | \$ 718           |
| Short-term investments                                 | 57,488           | 42,554           |
|  | <u>\$ 61,793</u> | <u>\$ 43,272</u> |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2013

(in thousands of dollars)

### 1. *Status of The Sinking Fund Trustees of The City of Winnipeg*

The Sinking Fund Trustees of The City of Winnipeg ( the " Fund " ) was established as a body corporate by subsection 314(1) of The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba ( " the province " ). The City of Winnipeg Act was repealed by the province effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the province. Under section 520 of The City of Winnipeg Charter, The Sinking Fund Trustees continue to have the same rights and obligations as outlined under the former City of Winnipeg Act for Sinking Fund debentures issued prior to December 31, 2002 and any future refinancing of these debentures.

### 2. *Significant Accounting Policies*

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises.

The significant accounting policies are summarized as follows:

#### a) **Investment in bonds and debentures**

Bonds and debentures are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

Bond residues and coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield on the investment.

For these bonds and debentures, which are measured at amortized cost, the Fund recognizes in net income an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net income in the period the reversal occurs.

#### b) **Use of estimates**

Financial statements prepared in accordance with Canadian Accounting Standards for Private Enterprises require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Actual results could differ from these estimates.

### 3. *Cash and Short-Term Investments*

Cash is held on deposit with a major Canadian Chartered Bank.

Short-term investments represent short-term debt securities of Schedule 1 Canadian Chartered Banks with a term to maturity of less than one year.



#### **4. Interest Rate and Credit Risk**

##### **a) Interest rate risk**

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2013 was 3.30% (2012 - 2.95%).

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2013 are as follows:

| <b>Term To Maturity</b> | <b>2013</b>       |                   | <b>2012</b>       |                   |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
|                         | <b>Par Value</b>  | <b>Book Value</b> | <b>Par Value</b>  | <b>Book Value</b> |
| Less than one year      | \$ 80,732         | \$ 81,104         | \$ 132,459        | \$ 132,758        |
| Two to five years       | 72,423            | 74,233            | 125,291           | 125,757           |
| Greater than five years | 60,000            | 60,000            | 60,000            | 60,000            |
|                         | <u>\$ 213,155</u> | <u>\$ 215,337</u> | <u>\$ 317,750</u> | <u>\$ 318,515</u> |

##### **b) Credit risk**

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Fund.

At December 31, 2013 the Fund's maximum credit risk exposure at fair market value was \$277,805 (2012 - \$370,249).

The Fund limits credit risk by investing in short-term investments and bonds and debentures of investees that are considered to be high quality credits (rated A or higher) and by utilizing an internal Investment Policy Guideline monitoring process.

#### **5. Purchase of Winnipeg Hydro by Manitoba Hydro**

Manitoba Hydro purchased Winnipeg Hydro from The City of Winnipeg on September 3, 2002. In accordance with the Asset Purchase Agreement between The City of Winnipeg and Manitoba Hydro and The Purchase of Winnipeg Hydro Act, a statute of the Legislature of the Province of Manitoba, the Sinking Fund is required to :

- a)** Hold the Manitoba Hydro Electric Board bonds issued by Manitoba Hydro to the City in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity.

The book value of the Manitoba Hydro Electric Board bonds as at December 31, 2013 amounted to \$107,000 (2012 - \$117,000).

## 5. *Purchase of Winnipeg Hydro by Manitoba Hydro (continued)*

- b) Pay all principal and interest received on the Manitoba Hydro bonds to the City for the payment of principal and interest on the Winnipeg Hydro portion of the City's debt.

Accrued interest receivable and identical offsetting accrued interest payable on the Manitoba Hydro bonds amounted to \$2,321 at December 31, 2013 (2012 - \$2,688).

As the receipt of the Manitoba Hydro bonds represents full funding of all future Sinking Fund installments and interest related to the Winnipeg Hydro portion of the City's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.

## 6. *Reserve for Retirement of Debenture Debt*

Amounts applied to debt redemption on the statement for retirement of debenture debt are as follows :

|                     | Hydro Portion | Other Purposes | Total      |
|---------------------|---------------|----------------|------------|
| Sinking Fund Debt : |               |                |            |
| By-law 6090/93      | \$ 10,000     | \$ 90,000      | \$ 100,000 |

As at December 31, 2013 the reserve for retirement of debenture debt is allocated towards Sinking Fund debentures as follows:

| Maturity<br>Year | Amortized Cost    |                   |                   | Maturity<br>Value |
|------------------|-------------------|-------------------|-------------------|-------------------|
|                  | Hydro Portion     | Other Purposes    | Total             |                   |
| 2014             | \$ 15,000         | \$ 82,214         | \$ 97,214         | \$ 100,000        |
| 2015             | 12,000            | 77,260            | 89,260            | 100,000           |
| 2017             | 20,000            | 21,591            | 41,591            | 50,000            |
| 2029             | 60,000            | -                 | 60,000            | 60,000            |
|                  | <u>\$ 107,000</u> | <u>\$ 181,065</u> | <u>\$ 288,065</u> | <u>\$ 310,000</u> |

The amortized cost of the reserve for retirement of debenture debt is calculated using an assumed annual discount rate of 5% which was set by The City of Winnipeg in the applicable Sinking Fund Debenture By-laws.

As at December 31, 2013, the reserve for retirement of debenture debt includes \$107,000 (2012 - \$117,000) representing full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

## 7. *Capital*

The Fund's objectives when managing capital are:

- a) To pay The City of Winnipeg at or before the maturity of each respective sinking fund debenture all amounts collected by way of levy together with interest earned thereon.
- b) To invest all levies received in accordance with the guidelines outlined in the Fund's Statement of Investment Policies and Procedures in order to maximize the investment return on the Fund within the allowable level of risk mandated by The City of Winnipeg Act.

The fund invests in securities with maturities which closely match the current sinking fund debenture maturity dates.

## **8. *Related Party Transactions***

The Sinking Fund and The City of Winnipeg entered into an Investment Management Agreement on April 1, 2011, whereby the City of Winnipeg provides investment management and administrative services to the Fund for an annual management fee. The Fund is the managed party under the Investment Management Agreement.

The Fund purchased \$2,171 Par Value City of Winnipeg 8.0% debentures due January 20, 2014 at a price of \$106.31 and effective yield of 1.476% on January 28, 2013 and \$13,656 Par Value City of Winnipeg 9.125% debentures due May 12, 2015 at a price of \$111.00 and effective yield of 1.295% on December 10, 2013. These purchases were in the normal course of operations for the Fund and were at fair value.

In addition, for the year ended December 31, 2013, the Fund and the City of Winnipeg entered into the following transactions which were all in the normal course of operations for the Fund:

The City of Winnipeg paid \$8,861 (2012 - \$8,861) in levies to the Fund at the amounts prescribed by the applicable Sinking Fund debenture By-laws.

The City of Winnipeg paid \$1,037 (2012 - \$1,801) of coupon interest to the Fund on City of Winnipeg debentures held by the Fund. The coupon interest payments were at fair value.

The Fund paid \$7,554 (2012 - \$8,023) of Manitoba Hydro Electric Board bond coupon interest to the City of Winnipeg. These coupon interest payments were at the amount prescribed by The Purchase of Winnipeg Hydro Act.

The Fund paid investment management fees of \$100 (2012 - \$108) to the City of Winnipeg as required under the Investment Management Agreement.

## **9. *Sinking Fund Deficit***

The Fund will pay to the City of Winnipeg the amount of levies actually received by the Fund together with accumulated interest in respect thereof. In the event of a Sinking Fund deficit at the maturity of a Sinking Fund issue, The City of Winnipeg Charter, Section 304(2), authorizes The City of Winnipeg, if it so chooses, to apply to the Minister of Finance to borrow an amount of money sufficient to discharge the Sinking Fund debt in full.

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## Schedule 1

### SCHEDULE OF INVESTMENTS

*As at December 31*  
*(in thousands of dollars)*

|   | December 31<br>2013 |                 |                   | December 31<br>2012 |                   |                |
|---|---------------------|-----------------|-------------------|---------------------|-------------------|----------------|
|   | Par<br>Value        | Market<br>Value | %                 | Book<br>Value       | %                 | Book<br>Value  |
| <b><i>Investment in bonds and debentures</i></b>            |                     |                 |                   |                     |                   |                |
| Government of Canada and Government<br>of Canada guaranteed | \$ 5,358            | \$ 5,535        | 3                 | \$ 5,487            | 3                 | \$ 5,625       |
| Provincial and Provincial guaranteed<br>(Notes 5 and 6)     | 125,307             | 126,028         | 58                | 125,627             | 58                | 220,599        |
| Municipal   | 35,672              | 36,568          | 17                | 35,962              | 17                | 49,595         |
| City of Winnipeg  | 16,531              | 17,972          | 8                 | 18,006              | 8                 | 19,943         |
| Corporates  | 16,987              | 17,123          | 8                 | 17,112              | 8                 | -              |
|   | <u>\$ 199,855</u>   | <u>203,226</u>  | <u>94</u>         | <u>202,194</u>      | <u>94</u>         | <u>295,762</u> |
|   |                     |                 |                   |                     |                   | 93             |
| <b><i>Bond residues and coupons</i></b>                     |                     |                 |                   |                     |                   |                |
| Provincial  |                     | <u>13,224</u>   | <u>6</u>          | <u>13,143</u>       | <u>6</u>          | <u>22,753</u>  |
|   |                     |                 |                   |                     |                   | 7              |
|   | <u>\$ 216,450</u>   | <u>100</u>      | <u>\$ 215,337</u> | <u>100</u>          | <u>\$ 318,515</u> | <u>100</u>     |

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## Schedule 2

### SCHEDULE OF INTEREST INCOME

*For the years ended December 31*  
*(in thousands of dollars)*

|  | <u>2013</u>      | <u>2012</u>      |
|--|------------------|------------------|
| Interest on bonds and debentures           | \$ 13,334        | \$ 17,995        |
| Income accrued - bond residues and coupons | 311              | 468              |
| Bank and short-term investments interest   | 412              | 14               |
| Securities lending income                  | 11               | 20               |
| Net bond (premium) discount amortization   | <u>(1,341)</u>   | <u>(3,324)</u>   |
|  | <u>\$ 12,727</u> | <u>\$ 15,173</u> |





# THE CITY OF WINNIPEG SINKING FUND

## STATEMENT OF FINANCIAL POSITION

*As at December 31*  
*(in thousands of dollars)*  
*(unaudited)*

### **ASSETS**

Investment in bonds and debentures (Schedule 1)  
Call loans - General Revenue Fund (Note 3)  
Accrued interest receivable

| <b>2013</b>      | <b>2012</b> |
|------------------|-------------|
| <b>\$ 35,283</b> | \$ 13,966   |
| <b>796</b>       | 3,458       |
| <b>304</b>       | 188         |
| <b>\$ 36,383</b> | \$ 17,612   |

### **LIABILITIES**

Premium on Long Term Debt (Note 5)

|                  |      |
|------------------|------|
| <b>\$ 12,429</b> | \$ - |
|------------------|------|

### **RESERVE**

Reserve for retirement of debenture debt

|                  |           |
|------------------|-----------|
| <b>23,954</b>    | 17,612    |
| <b>\$ 36,383</b> | \$ 17,612 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG

## SINKING FUND

### STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

*For the years ended December 31*

*(in thousands of dollars)*

*(unaudited)*

|   | <u>2013</u>             | <u>2012</u>             |
|---|-------------------------|-------------------------|
| Balance, beginning of year                                    | \$ 17,612               | \$ 12,477               |
| Add:  |                         |                         |
| Installments - Waterworks System                              | 2,836                   | 2,836                   |
| Installments - Transit System                                 | 1,205                   | 1,205                   |
| Installments - General Revenue Fund                           | 1,013                   | 189                     |
| Interest income (Schedule 2)                                  | 800                     | 658                     |
| Installments - Municipal Accommodations                       | 408                     | -                       |
| Gain on sale of assets  | 142                     | 292                     |
|   | <u>24,016</u>           | 17,657                  |
| Deduct:   |                         |                         |
| Transfer to General Revenue Fund - investment management fees | <u>62</u>               | <u>45</u>               |
| Balance, end of year  | <u><u>\$ 23,954</u></u> | <u><u>\$ 17,612</u></u> |

*See accompanying notes and schedules to the financial statements*



# **THE CITY OF WINNIPEG SINKING FUND**

## **NOTES TO THE FINANCIAL STATEMENTS**

*December 31, 2013*

*(all tabular amounts are in thousands of dollars, unless otherwise noted)  
(unaudited)*

### **1. Status of The City of Winnipeg Sinking Fund**

The City of Winnipeg Act was repealed by the Province of Manitoba ("Province") effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the Province. Under the new charter the Public Service became responsible for managing the sinking funds of any sinking fund debenture issued after January 1, 2003.

### **2. Significant Accounting Policies**

These financial statements have been prepared in accordance with the significant accounting policies summarized as follows:

#### **a) Bonds and debentures**

Bonds and debentures are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

#### **b) Bond residues and coupons**

Bond residues and coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

### **3. Call Loans - General Revenue Fund**

Call loans represent short-term investments held by the General Revenue Fund which are callable by The City of Winnipeg Sinking Fund ("Fund") upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

### **4. Interest Rate and Credit Risk**

#### **a) Interest rate risk**

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2013 was 4.5% (2012 - 3.8%).

#### **4. Interest Rate and Credit Risk (continued)**

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2013 are as follows:

| <b>Term To Maturity</b> | <b><u>Par Value</u></b> | <b><u>Book Value</u></b> |
|-------------------------|-------------------------|--------------------------|
| Greater than five years | <u>\$ 33,854</u>        | <u>\$ 35,283</u>         |

##### **b) Credit risk**

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Fund.

At December 31, 2013 the Fund's maximum credit risk exposure at fair market value was \$35,359 thousand.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy adopted by City Council.

#### **5. Debt**

Included in the Statement of Financial Position is a premium on long term debt issued in 2012 offset by investments that will be used for making semi-annual debt service payments on the sinking fund debentures.

# THE CITY OF WINNIPEG SINKING FUND

Schedule 1

## SCHEDULE OF INVESTMENTS

As at December 31  
(in thousands of dollars)  
(unaudited)

|   | 2013             |                  |            |                  |            | 2012             |            |
|---|------------------|------------------|------------|------------------|------------|------------------|------------|
|   | Par<br>Value     | Market<br>Value  | %          | Book<br>Value    | %          | Book<br>Value    | %          |
| <i>Investment in bonds and debentures</i> |                  |                  |            |                  |            |                  |            |
| Other Municipalities                      | \$ 24,773        | \$ 24,281        | 71         | \$ 25,788        | 73         | \$ 8,273         | 59         |
| City of Winnipeg                          | 9,081            | 9,979            | 29         | 9,495            | 27         | 4,739            | 34         |
| Provincial and<br>Provincial guaranteed   | -                | -                | -          | -                | -          | 954              | 7          |
|   | <u>\$ 33,854</u> | <u>\$ 34,260</u> | <u>100</u> | <u>\$ 35,283</u> | <u>100</u> | <u>\$ 13,966</u> | <u>100</u> |

**THE CITY OF WINNIPEG  
SINKING FUND**

**Schedule 2**

**SCHEDULE OF INTEREST INCOME**

*For the years ended December 31  
(in thousands of dollars)  
(unaudited)*

|                                  | <u>2013</u>   | <u>2012</u>   |
|----------------------------------|---------------|---------------|
| Interest on bonds and debentures | \$ 786        | \$ 645        |
| Call fund interest               | <u>14</u>     | <u>13</u>     |
|                                  | <u>\$ 800</u> | <u>\$ 658</u> |

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31

|  | 2013                 | 2012                 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Current  |                      |                      |
| Cash   | \$ 1,109,020         | \$ 436,925           |
| Restricted cash (Note 6)   | 297                  | 47,654               |
| Short term investments   | 14,878,285           | 12,536,193           |
| Trade and other receivables (Note 7)                               | 647,096              | 1,220,453            |
| Prepays and other  | 232,682              | 332,147              |
| Investment held for sale (Note 8)                                  | -                    | 1,400,000            |
| Current portion of tenant receivables                              | 5,922                | 6,761                |
|  | <b>16,873,302</b>    | 15,980,133           |
| Long term tenant receivables                                       | 29,695               | 34,499               |
| Property, plant and equipment (Notes 9, 13 and 14)                 | 14,999,722           | 16,097,290           |
| Investment in properties and infrastructure enhancements (Note 10) | 56,247,883           | 59,073,494           |
| Deferred charges   | 12,500               | 86,968               |
|  | <b>\$ 88,163,102</b> | <b>\$ 91,272,384</b> |
| <b>LIABILITIES</b>   |                      |                      |
| Current  |                      |                      |
| Accounts payable and accrued liabilities (Note 11)                 | \$ 2,723,214         | \$ 1,815,146         |
| Funds held in trust  | 250,876              | 231,076              |
| Current portion of mortgage payable (Note 12)                      | 343,235              | 328,745              |
| Current portion of obligation under finance lease (Note 13)        | 222,508              | 163,349              |
|  | <b>3,539,833</b>     | 2,538,316            |
| Loans payable (Note 14)  | -                    | 1,711,636            |
| Prepaid land rents   | 615,381              | 623,468              |
| Deferred revenue   | 146,737              | 221,640              |
| Deferred contributions from shareholders                           | 15,961,496           | 17,178,574           |
| Long term mortgage payable (Note 12)                               | 11,355,212           | 11,773,519           |
| Obligation under finance lease (Note 13)                           | 2,382                | 221,767              |
|  | <b>31,621,041</b>    | 34,268,920           |
| <b>SHAREHOLDERS' EQUITY</b>  |                      |                      |
| Capital stock  |                      |                      |
| Authorized   |                      |                      |
| Unlimited number of common shares                                  |                      |                      |
| Issued   |                      |                      |
| 3 common shares  | 3                    | 3                    |
| <b>NET EQUITY</b>  | <b>56,542,058</b>    | 57,003,461           |
|  | <b>56,542,061</b>    | 57,003,464           |
|  | <b>\$ 88,163,102</b> | <b>\$ 91,272,384</b> |

See accompanying notes to the consolidated financial statements.

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31

|  | 2013                | 2012                |
|--|---------------------|---------------------|
| <b>REVENUE:</b>  |                     |                     |
| Rental and parking income                                | \$ 5,485,198        | \$ 5,455,663        |
| The Forks Market   | 2,092,193           | 2,022,207           |
| Theatre  | 651,728             | 624,113             |
| Lease  | 1,286,532           | 1,303,030           |
| Events, sponsorship, grants and recoveries               | 824,530             | 1,092,243           |
| Investment   | 315,192             | 358,168             |
| Miscellaneous  | 67,524              | 118,578             |
| Recovery of prior years' expenses                        | 102,964             | 101,413             |
|  | <b>10,825,861</b>   | <b>11,075,415</b>   |
| <b>EXPENSES:</b>   |                     |                     |
| General and administrative                               | 1,389,511           | 1,380,888           |
| Rental and parking                                       | 2,447,980           | 2,465,534           |
| The Forks Market   | 1,851,329           | 1,702,145           |
| Theatre  | 841,512             | 951,943             |
| The Forks Site and events                                | 1,881,518           | 1,935,349           |
| Planning and development                                 | 295,779             | 498,522             |
| Marketing costs  | 456,100             | 443,852             |
| Investment costs   | 78,735              | 58,552              |
| Miscellaneous  | 39,270              | 35,516              |
|  | <b>9,281,734</b>    | <b>9,472,301</b>    |
| <b>OPERATING INCOME BEFORE THE FOLLOWING</b>             | <b>1,544,127</b>    | <b>1,603,114</b>    |
| Interest expense   | (691,268)           | (718,201)           |
| <b>INCOME BEFORE AMORTIZATION</b>                        | <b>852,859</b>      | <b>884,913</b>      |
| Amortization   | (2,531,656)         | (2,381,065)         |
| <b>LOSS BEFORE THE FOLLOWING</b>                         | <b>(1,678,797)</b>  | <b>(1,496,152)</b>  |
| Amortization of deferred contributions from shareholders | 1,217,077           | 1,200,812           |
| Unrealized and realized gains                            | 425,727             | 141,675             |
| Loss on sale of capital assets                           | (314,016)           | -                   |
| Donations  | (425,000)           | (350,000)           |
| Write-down of loan receivable                            | -                   | (109,500)           |
| Debt forgiveness (Note 14)                               | 1,711,637           | -                   |
| Net income (loss) before discontinued operations         | <b>936,628</b>      | <b>(613,165)</b>    |
| Discontinued operations (Note 22)                        | (1,398,031)         | -                   |
| <b>NET LOSS</b>  | <b>\$ (461,403)</b> | <b>\$ (613,165)</b> |

See accompanying notes to the consolidated financial statements.

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2013

|                            | Share<br>Capital | Donated<br>Land     | Contributed<br>Surplus | Retained<br>Earnings | 2013<br>Total        | 2012<br>Total        |
|----------------------------|------------------|---------------------|------------------------|----------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 3             | \$ 8,000,000        | \$ 39,310,266          | \$ 9,693,195         | \$ 57,003,464        | \$ 57,616,629        |
| Net loss                   | -                | -                   | -                      | (461,403)            | (461,403)            | (613,165)            |
| Balance, end of year       | <u>\$ 3</u>      | <u>\$ 8,000,000</u> | <u>\$ 39,310,266</u>   | <u>\$ 9,231,792</u>  | <u>\$ 56,542,061</u> | <u>\$ 57,003,464</u> |

See accompanying notes to the consolidated financial statements.

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

|  | 2013                | 2012              |
|--|---------------------|-------------------|
| Increase (decrease) in cash                    |                     |                   |
| <b>OPERATING</b>                               |                     |                   |
| Net loss                                       | \$ (461,403)        | \$ (613,165)      |
| Adjustments for:                               |                     |                   |
| Amortization                                   | 2,531,656           | 2,381,065         |
| Amortization of deferred contributions         | (1,217,077)         | (1,200,812)       |
| Debt forgiveness                               | (1,711,637)         | -                 |
| Loss on sale of capital assets                 | 314,016             | -                 |
|  | (544,445)           | 567,088           |
| <b>Net changes in working capital balances</b> |                     |                   |
| Trade and other receivables                    | 573,357             | (366,353)         |
| Prepays and other                              | 99,465              | 25,351            |
| Accounts payable and accrued liabilities       | 908,068             | 422,341           |
| Restricted cash                                | 47,357              | 663               |
| Funds held in trust                            | 19,800              | (14,016)          |
|  | 1,103,602           | 635,074           |
| <b>FINANCING</b>                               |                     |                   |
| Deferred charges                               | 74,468              | 25,532            |
| Prepaid land rents                             | (8,087)             | (8,087)           |
| Deferred revenue                               | (74,903)            | 55,890            |
| Deferred contributions received                | -                   | 517,621           |
| Repayment of mortgage payable                  | (403,817)           | (304,454)         |
| Repayment of obligation under finance lease    | (160,226)           | (154,963)         |
|  | (572,565)           | 131,539           |
| <b>INVESTING</b>                               |                     |                   |
| Purchase of property and equipment             | (1,061,453)         | (977,916)         |
| Proceeds from disposal of capital assets       | 2,138,960           | -                 |
| Proceeds from investments held for sale        | 1,400,000           | -                 |
| Short term investments                         | (2,342,092)         | 354,555           |
| Tenant receivables advanced                    | 5,643               | (41,260)          |
|  | 141,058             | (664,621)         |
| <b>Net increase in cash</b>                    | <b>672,095</b>      | <b>101,992</b>    |
| <b>CASH, beginning of year</b>                 | <b>436,925</b>      | <b>334,933</b>    |
| <b>CASH, end of year</b>                       | <b>\$ 1,109,020</b> | <b>\$ 436,925</b> |

See accompanying notes to the consolidated financial statements.



# **NORTH PORTAGE DEVELOPMENT CORPORATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*March 31, 2013*

### **1. Nature of Operations**

#### **Mission**

The mission of the organization is to act as a catalyst, encouraging activities for people in downtown through public and private partnerships and revitalization strategies; and to work to ensure financial self-sufficiency.

North Portage shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, educational and entertainment facilities.

The Forks shall be developed as a "Meeting Place", a special and distinct, all season gathering and recreational place at the junction of the Red and Assiniboine Rivers, through a mixed use approach including recreational, historical and cultural, residential and institutional and supportive commercial uses.

#### **Corporation Background**

North Portage Development Corporation (the "Corporation" or "NPDC") was incorporated under the Corporations Act of Manitoba on December 13, 1983 and owns land and parking facilities in the North Portage area of Winnipeg, Canada. NPDC is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg.

The Forks Renewal Corporation ("FRC"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on July 24, 1987 and owns land known as The Forks Winnipeg, Canada, and operates The Forks Market.

North Portage Theatre Corporation, ("NPTC"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on May 27, 1986 and owns the IMAX Theatre at Portage Place, Winnipeg, Canada.

3898211 Manitoba Ltd., a subsidiary of NPTC, was incorporated under the Corporations Act of Manitoba on September 16, 1998 and operated the IMAX Theatre at Portage Place, Winnipeg, Canada.

FNP Parking Inc. ("FNP"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on November 6, 2006 and operates various parking locations in downtown Winnipeg, Canada including The Forks.

The Corporation is not subject to tax under provision 149(1)(d) of the Income Tax Act.

## **2. *Basis of Presentation***

These financial statements are prepared on a going concern basis, under the historical cost model except for certain financial instruments that are measured at revalued amounts or fair values.

### **Basis of Consolidation**

The financial statements of the Corporation include the financial statements of the Corporation and those of The Forks Renewal Corporation, FNP Parking Inc., 3898211 Manitoba Ltd. and North Portage Theatre Corporation, all of which are controlled by the Corporation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation.

All intra-corporation transactions, balances, income and expenses are eliminated on consolidation.

### **Statement of Compliance**

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies in Note 3 have been applied consistently in all material respects.

## **3. *Summary of Significant Accounting Policies***

### **Cash**

Cash includes cash on hand and balances with banks, net of any outstanding cheques.

### **Investment in Subsidiaries**

The Corporation determines whether it is a parent by assessing whether it controls an investee. The Corporation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

### **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable.

#### *Rental and Parking Income*

Rental income (including The Forks Market revenue) and monthly parking income is recognized in the period in which the rental agreement relates. Casual parking income is recognized at the time payment is received from the customer.

#### *Theatre Income*

Revenue from the theatre is recognized when the service is provided.

#### *Investment Income*

Investment income is recognized over the passage of time using the effective interest method.

### 3. *Summary of Significant Accounting Policies (continued)*

#### *Events, Sponsorship, Grants and Recoveries*

Events, sponsorship, government grants and recoveries are recognized in the period in which the related event occurs.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Corporation as Lessor*

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

#### *Land Rents*

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the passage of time for which the amount is received.

#### *Deferred charges*

Deferred charges consist of prepaid building rent. The amounts are being amortized over 10 years.

#### *The Corporation as Lessee*

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as an obligation under finance lease. Lease payments are allocated between interest expense and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized immediately in comprehensive income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that inducements to enter into operating leases are received, such inducements are recognized as a liability at the outset of the lease. The benefit is recognized as a reduction of rental expense on a straight-line basis over the life of the lease.

### **3. *Summary of Significant Accounting Policies (continued)***

#### **Foreign Currencies**

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's presentation currency.

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in comprehensive income in the period in which they arise.

#### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

#### **Government Contributions**

Government grants are recognized when there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in comprehensive income on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to comprehensive income over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in comprehensive income in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

#### **Property, Plant and Equipment**

Items of property and equipment are recorded at cost and amortized over their estimated useful lives.

The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

### 3. *Summary of Significant Accounting Policies (continued)*

Amortization is calculated at the following rates:

|                               |             |
|-------------------------------|-------------|
| Buildings                     | 20-40 years |
| Building improvements         | 10-20 years |
| Equipment and computers       | 3-10 years  |
| Equipment under finance lease | 5 years     |

#### **Investment Property**

Investment properties are measured at cost, including transaction costs of acquisition, less accumulated amortization and accumulated impairment losses.

Amortization is calculated at the following rates:

|                             |             |
|-----------------------------|-------------|
| Buildings                   | 20-40 years |
| Infrastructure enhancements | 40 years    |

#### **Impairment of Tangible Assets**

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

#### **Debt**

All mortgage loans are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest method. Transaction fees, costs, discounts and premiums directly related to the loans and borrowings are recognized in the statement of income and comprehensive income over the expected life of the borrowing. Interest payable is recognized on an accrual basis. Principal payments on mortgage loans due more than twelve months from the date of the balance sheet are classified as non-current liabilities.

### 3. *Summary of Significant Accounting Policies (continued)*

#### **Provisions**

The amount recognized as a provision (if any) is the present value of the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

#### **Financial Assets**

Purchase and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Corporation. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Corporation has transferred substantially all the risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired.

##### *Loans and Receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include "trade and other receivables" and "long term tenant receivables". They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

##### *Short Term Investments*

Short term investments consist of GICs, short term investments and active market equities. Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes recognized in comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized are included in the statement of comprehensive income.

##### *Impairment of Financial Assets*

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and recognized in the statement of comprehensive income.

#### **Financial Liabilities:**

Financial liabilities (including borrowings) are measured at amortized cost using the effective interest method.

In these financial statements accounts payable and accrued liabilities and long term debt have been classified as other financial liabilities.

### **3. *Summary of Significant Accounting Policies (continued)***

#### ***Derecognition of Financial Liabilities***

The Corporation derecognizes financial liabilities when the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in comprehensive income.

#### **Determination of Fair Values**

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the method noted below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash, short term investments, trade and other receivables, trade and other payables: The fair value of cash, short term investments, trade and other receivables, trade and other payables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect of discounting is material.

#### **Future Changes to Significant Accounting Policies**

The IASB is working towards continual improvement through the development of new accounting standards and the annual improvements process. The IASB will issue a number of exposure drafts of new or revised standards over the next several years. The Corporation monitors the IASB work plans and publication to address any developments that may impact the organization.

The IASB published IFRS 9 - replaces IAS 39 - Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

The Corporation is currently evaluating the impact of these standards on its financial statements.

### **4. *Significant Accounting Judgments, Estimates and Assumptions***

The preparation of the Corporation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the report date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected.

#### **Judgments Other Than Estimates**

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

#### 4. *Significant Accounting Judgments, Estimates and Assumptions (continued)*

##### *Operating and Finance Leases*

The Corporation has entered into various lease agreements. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer and retention of significant risks and rewards of ownership of the properties covered by the agreements.

##### **Estimates**

##### *Useful Lives of Property, Plant and Equipment and Investment Property*

The Corporation estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimate useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant and equipment and investment property are analyzed in Notes 9 and 10. Based on management's assessment as at March 31, 2013, there is no change in useful life during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

##### *Discontinued Operations*

The Corporation estimated the potential future costs associated with the closing of the Imax Theatre at Portage Place, Winnipeg, Canada.

#### 5. *Financial Instruments*

IFRS requires disclosure of a three-level hierarchy for fair value measurements based upon the transparency of inputs into the valuation of financial instruments measured at fair value on the balance sheet as follows:

Level 1 - inputs into the valuation methodology include quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at March 31, 2013:

|                        | Level 1      | Level 2 | Level 3 | Total        |
|------------------------|--------------|---------|---------|--------------|
| <b>Assets:</b>         |              |         |         |              |
| Cash                   | \$ 1,109,020 | \$ -    | \$ -    | \$ 1,109,020 |
| Restricted cash        | 297          | -       | -       | 297          |
| Short term investments | 14,878,285   | -       | -       | 14,878,285   |
| Accounts receivable    | -            | -       | 647,096 | 647,096      |



## 5. *Financial Instruments (continued)*

### *Credit Risk*

Credit risk is the potential that a counterparty to a financial instrument will fail to perform its obligations. Financial instruments which potentially subject the Corporation to credit risk consist principally of receivables and loans receivable.

The maximum exposure of the Corporation to credit risk as of March 31, 2013 is \$682,713 (2012 - \$1,261,713).

The Corporation is not exposed to significant credit risk since the receivables are with a significant number of customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

### *Fair Value*

The Corporation's carrying value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and funds held in trust approximates their fair values due to the immediate or short term nature maturity of these instruments.

The carrying value of short term investments is valued based upon the market to market basis of accounting for investment values using quoted prices of the individual investments in an active market.

The carrying value of investment in property development is solely based on management's estimate of the net present value of future recoveries on the investment.

The carrying value of long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms.

### *Currency Risk*

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

### *Interest Rate Risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risk from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The interest rate exposure relates to cash, investments and long term debt.

### *Market Risk*

Market risk is the risk that changes in market prices, interest rates and foreign exchange rate, will affect the Corporation's earnings or the fair values of its financial instruments. The Corporation has market risk attributable to its investments held for trading. The investments held for trading are carried on the balance sheet at the fair market value of the investments, with the change in fair value being recognized as an adjustment on the statements of comprehensive income and net equity.

## 6. *Restricted Cash*

Restricted cash consists of cash held in trust by the Corporation for the Weather Protected Walkway System expansion in downtown Winnipeg. The Corporation is managing the accounting and cash disbursement aspect of this project. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.

## 7. *Trade and Other Receivables*

|                              | <u>2013</u>              | <u>2012</u>                |
|------------------------------|--------------------------|----------------------------|
| Trade receivables            | \$ 546,356               | \$ 571,701                 |
| Allowance for doubtful debts | 82,900                   | 76,065                     |
| Net trade receivables        | <u>463,456</u>           | <u>495,636</u>             |
| Government remittances       | 2,413                    | 31,177                     |
| Other receivables            | <u>181,227</u>           | <u>693,640</u>             |
|                              | <u><u>\$ 647,096</u></u> | <u><u>\$ 1,220,453</u></u> |

The credit period on sale of goods and services is 30 days. The Corporation has recognized an allowance for doubtful debts against all receivables over 120 days because experience has shown that those amounts are not recoverable. Allowances for doubtful debts are recognized against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience.

Aging of receivables that are past due but not impaired

|            | <u>2013</u>              | <u>2012</u>              |
|------------|--------------------------|--------------------------|
| 31-60 days | \$ 64,458                | \$ 285,443               |
| 61-90 days | 174,864                  | 21,319                   |
| 91+ days   | <u>203,920</u>           | <u>226,104</u>           |
| Total      | <u><u>\$ 443,242</u></u> | <u><u>\$ 532,866</u></u> |

Changes in the allowance for doubtful debts

|  | <u>2013</u>             | <u>2012</u>             |
|--|-------------------------|-------------------------|
| Balance at beginning of the year                     | \$ 76,065               | \$ 45,636               |
| Impairment losses recognized on receivables          | 63,192                  | 41,865                  |
| Amounts written off during the year as uncollectible | (57,020)                | (1,436)                 |
| Amounts recovered during the year                    | <u>663</u>              | <u>(10,000)</u>         |
| Balance at end of the year                           | <u><u>\$ 82,900</u></u> | <u><u>\$ 76,065</u></u> |

In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

## 8. *Investment Held for Sale*

On January 8, 2010, the Corporation entered into an agreement with CentreVenture Inc. (a separate entity owned by the City of Winnipeg) to purchase 311 Portage Avenue and to jointly market it with the property at 315 Portage Avenue.

The Corporation contributed \$1,000,000 in cash and the property at 315 Portage Avenue, valued by management to be \$400,000.

During the year, the properties at 311 and 315 Portage Avenue were sold to a third party for \$2,800,000, with the Corporation being entitled to one-half of the net proceeds, being equal to the asset's carrying amount of \$1,400,000.

## 9. *Property, Plant and Equipment*

|                               | <b>2013</b>          | <b>2012</b>          |
|-------------------------------|----------------------|----------------------|
| Land                          | \$ 9,058,281         | \$ 9,058,281         |
| Property under construction   | 116,512              | 90,964               |
| Plant and equipment           | 5,505,725            | 6,000,107            |
| Equipment under finance lease | 319,204              | 947,938              |
| Carrying amounts              | <b>\$ 14,999,722</b> | <b>\$ 16,097,290</b> |

For additional information, see the Consolidated Schedule of Property, Plant and Equipment (Schedule 1).

## 10. *Investment in Properties and Infrastructure Enhancements*

|                             | <b>2013</b>          | <b>2012</b>          |
|-----------------------------|----------------------|----------------------|
| Land                        | \$ 26,854,274        | \$ 28,593,084        |
| Building                    | 13,734,249           | 9,324,763            |
| Property under construction | 243,161              | 4,939,520            |
| Infrastructure enhancements | 15,416,199           | 16,216,127           |
| Carrying amounts            | <b>\$ 56,247,883</b> | <b>\$ 59,073,494</b> |

For additional information, see the Consolidated Schedule of Investment in Properties and Infrastructure Enhancements (Schedule 2).

All of the Corporation's investment property is held under freehold interests.

The fair market values of the Corporation's investment properties are not readily determinable with any level of precision. Further, due to the public nature of the properties, any valuation attributable would have significant uncertainty regarding the ultimate realization of the properties. As a result no disclosures regarding the fair values of the properties are included in these statements.

# 11. Accounts Payable and Accrued Liabilities

|                          | 2013                | 2012                |
|--------------------------|---------------------|---------------------|
| Trade payables           | \$ 828,044          | \$ 405,865          |
| Accruals                 | 1,737,189           | 1,272,425           |
| Current deferred revenue | 157,981             | 136,856             |
|                          | <u>\$ 2,723,214</u> | <u>\$ 1,815,146</u> |

The average credit period on purchases is 30 days. The Corporation has financial risk management policies in place to ensure that all payables are paid within the credit terms.

# 12. Long Term Debt

|   | 2013                 | 2012                 |
|---|----------------------|----------------------|
| Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of \$82,940. The loan matures on August 1, 2032 and is secured by a general security agreement together with a first charge on the following lease agreements: Cityscape Residence Corp., The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc. | \$ 11,753,264        | \$ 12,153,617        |
| Unamortized transaction costs   | (74,481)             | (78,268)             |
|   | 11,678,783           | 12,075,349           |
| Farm Credit Canada loan bearing interest at 6% per annum, repayable in monthly blended payments of \$605. The loan matures on September 1, 2015 and is unsecured.   | 19,664               | 26,915               |
|   | 11,698,447           | 12,102,264           |
| Less: current portion   |                      |                      |
| Mortgage loans  | (347,035)            | (332,545)            |
| Transaction costs   | 3,800                | 3,800                |
|   | <u>\$ 11,355,212</u> | <u>\$ 11,773,519</u> |

Principal repayment terms are approximately:

|      |            |
|------|------------|
| 2014 | \$ 367,735 |
| 2015 | 384,981    |
| 2016 | 403,436    |
| 2017 | 426,801    |

### 13. *Obligation Under Finance Lease*

#### **Leasing Arrangements:**

The Corporation leases certain of its equipment under finance leases. The average lease term is 6.5 years (2012 - 6.5 years). The Corporation has options to purchase the equipment for a nominal amount at the end of the lease terms. The Corporation's finance leases are secured by the lessors' title to the leased assets.

#### **Finance Lease Liabilities:**

|   | Minimum Lease Payments |                   |
|---|------------------------|-------------------|
|   | 2013                   | 2012              |
| Not later than one year                               | \$ 87,461              | \$ 186,693        |
| Later than one year and not later than five years     | 2,358                  | 247,243           |
| Less: future finance charges                          | (3,446)                | (34,981)          |
| Present value of minimum lease payments               | <u>\$ 86,373</u>       | <u>\$ 398,955</u> |
| Included in the consolidated financial statements as: |                        |                   |
| - current portion                                     | \$ 222,508             | \$ 163,349        |
| - long term portion                                   | 2,382                  | 221,767           |
|   | <u>\$ 224,890</u>      | <u>\$ 385,116</u> |

### 14. *Government Contributions*

|  | 2013                  | 2012                  |
|--|-----------------------|-----------------------|
| Amounts included in deferred contributions       | \$ 15,961,496         | \$ 16,660,953         |
| Contributions received in the year               | -                     | 517,621               |
| Amounts recognized in income in prior years      | 66,461,941            | 66,311,941            |
| Annual amortization of deferred contributions    | 1,217,077             | 1,200,812             |
| Amounts recognized in income in the current year | -                     | 150,000               |
| Donated land                                     | 8,000,000             | 8,000,000             |
| Contributed surplus                              | 39,310,266            | 39,310,266            |
|  | <u>\$ 130,950,780</u> | <u>\$ 132,151,593</u> |

North Portage Theatre Corporation (NPTC) received a repayable loan from Manitoba Development Corporation in the amount of \$1,800,000. The loan bears interest at 10% per annum after demand. The loan is secured by a fixed and specific mortgage and charge on the theatre air rights and the equipment as well as a floating charge over the assets of NPTC. NPTC is required to make principal payments annually equal to 33 1/3% of net income of the IMAX Theatre at Portage Place. Cumulative repayments to date have been \$88,363 (2012 - \$88,363). During the year, Manitoba Development Corporation forgave the remaining balance of the loan.

## 15. Share Capital

Authorized:

Unlimited common shares

Issued and fully paid:

3 Common shares

|  | 2013 | 2012 |
|--|------|------|
|  |      |      |
|  | \$ 3 | \$ 3 |

## 16. Donated Land

The Company acquired title and possession of 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

|       | Government<br>of Canada | City of<br>Winnipeg | From Core<br>Area Initiative | Total |
|-------|-------------------------|---------------------|------------------------------|-------|
| Acres | 49                      | 3.9                 | 3                            | 55.9  |

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the FRC Board of Corporation on June 5, 1989. During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land were transferred to the City of Winnipeg. During 2007, 1.65 acres of donated land was sold to the City of Winnipeg. The remaining lands under the FRC's ownership are 49.95 acres.

## 17. Finance Costs

Continuing operations:

Interest on mortgage payable

Interest on obligations under finance leases

|  | 2013       | 2012       |
|--|------------|------------|
|  |            |            |
|  | \$ 671,680 | \$ 689,824 |
|  | 19,588     | 28,377     |
|  | \$ 691,268 | \$ 718,201 |

The corporation was a beneficiary of an interest free loan in the amount of approximately \$1.7 million, the benefit of which is not reflected in these statements. During the year the loan was forgiven. If interest was considered at prime rate, the benefit would approximate \$50,000 (2012 - \$50,000) per annum.

## 18. Operating Lease Arrangements

**The Corporation as Lessee:**

*Leasing arrangements:*

Operating leases relate to leases of land with lease terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Corporation does not have an option to purchase the leased land at the expiry of the lease periods.

|                             | 2013       | 2012       |
|-----------------------------|------------|------------|
|                             |            |            |
| Payments recognized:        |            |            |
| Minimum lease payments      | \$ 109,111 | \$ 167,567 |
| Sub-lease payments received | 238,483    | 275,297    |

## **18. Operating Lease Arrangements (continued)**

### **The Corporation as Lessor:**

#### *Leasing arrangements:*

Operating leases relate to the investment property owned by the Corporation with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

## **19. Commitments**

The Corporation has an obligation to operate the Imax Theatre at Portage Place for a 50 year period, ending in 2035. Annual losses from the theatre have ranged from \$300,000 - \$500,000 in recent years.

FRC has leased parking, storage and an office site at The Forks to December 2016. FNP Parking Ltd. is administering the obligation. The lease, containing renewal options, calls for base monthly payments of \$1,667 and provides for payment of utilities and property taxes.

## **20. Related Party Transactions**

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

### **Compensation of Key Management Personnel:**

The remuneration of key management personnel during the year was as follows:

|                                     | <u>2013</u>       | <u>2012</u>       |
|-------------------------------------|-------------------|-------------------|
| Wages and other short-term benefits | <u>\$ 743,467</u> | <u>\$ 742,293</u> |

### **Government Related Entity:**

NPDC has elected to apply the exemption regarding the disclosure of transactions and outstanding balances with government related entities.

## 21. *Management of Capital*

The Corporation's capital consists of contributed surplus and donated land equity. Donated land was recorded at fair value, as approved by the Board of Corporation in FRC, in 1989.

The capital structure of the Corporation is comprised of the following:

|   | <u>2013</u>          | <u>2012</u>          |
|---|----------------------|----------------------|
| Total debt and deferred shareholder contributions | \$ 27,884,833        | \$ 31,377,590        |
| Capital stock                                     | 3                    | 3                    |
| Net equity  | <u>56,542,058</u>    | <u>57,003,461</u>    |
|   | <u>\$ 84,426,894</u> | <u>\$ 88,381,054</u> |

The Corporation's objective in managing capital is to safeguard its ability to continue as a going concern, in order to carry out its mission as described in Note 1.

The Corporation prepares a budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive.

The Corporation monitors capital from time-to-time using a variety of measures which are applicable to its industry. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Corporation to reduce the cost of capital. An investment policy is in place to guide the Corporation in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

## 22. *Discontinued Operations*

As at March 31, the corporation ceased the operations of the IMAX Theatre at Portage Place, Winnipeg, Canada resulting in a loss of \$1,398,031 inclusive of the present value of managements' estimate of future costs to settle all obligations.

## 23. *Comparative Figures*

Certain of the prior year comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

## 24. *Approval of the Financial Statements*

The financial statements were approved by the Board of the Corporation and authorized for issue on June 20, 2013.



**NORTH PORTAGE DEVELOPMENT CORPORATION**  
**CONSOLIDATED SCHEDULE OF PROPERTY,**  
**PLANT AND EQUIPMENT**

Schedule 1

|                                   | Land                | Property<br>under<br>Construction | Plant and<br>Equipment | Equipment<br>Under<br>Finance Lease | Total                |
|-----------------------------------|---------------------|-----------------------------------|------------------------|-------------------------------------|----------------------|
| <b>Cost</b>                       |                     |                                   |                        |                                     |                      |
| Balance March 31, 2012            | \$ 9,058,281        | \$ 90,964                         | \$ 23,759,043          | \$ 2,145,401                        | \$ 35,053,689        |
| Additions                         | -                   | 196,632                           | 584,213                | 9,278                               | 790,123              |
| Write-off                         | -                   | -                                 | (762,819)              | (1,512,030)                         | (2,274,849)          |
| Disposals                         | -                   | -                                 | (14,611)               | -                                   | (14,611)             |
| Transfer to plant and equipment   | -                   | (171,084)                         | -                      | -                                   | (171,084)            |
| Balance March 31, 2013            | 9,058,281           | 116,512                           | 23,565,826             | 642,649                             | 33,383,268           |
| <b>Accumulated amortization</b>   |                     |                                   |                        |                                     |                      |
| Balance March 31, 2012            | -                   | -                                 | 17,758,936             | 1,197,463                           | 18,956,399           |
| Elimination on disposal of assets | -                   | -                                 | (825)                  | -                                   | (825)                |
| Amortization                      | -                   | -                                 | 828,196                | 214,980                             | 1,043,176            |
| Write-off                         | -                   | -                                 | (526,206)              | (1,088,998)                         | (1,615,204)          |
| Balance March 31, 2013            | -                   | -                                 | 18,060,101             | 323,445                             | 18,383,546           |
| <b>Carrying amounts</b>           | <b>\$ 9,058,281</b> | <b>\$ 116,512</b>                 | <b>\$ 5,505,725</b>    | <b>\$ 319,204</b>                   | <b>\$ 14,999,722</b> |

**NORTH PORTAGE DEVELOPMENT CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENT**  
**IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS**

Schedule 2

| Cost                              | Property under Construction |               |              |                             | Total          |
|-----------------------------------|-----------------------------|---------------|--------------|-----------------------------|----------------|
|                                   | Land                        | Building      |              | Infrastructure Enhancements |                |
| Balance March 31, 2012            | \$ 29,124,578               | \$ 15,037,783 | \$ 4,939,520 | \$ 55,094,916               | \$ 104,196,797 |
| Additions                         | -                           | 102,174       | 209,773      | 139,245                     | 451,192        |
| Transfer to buildings             | -                           | 4,906,132     | (4,906,132)  | -                           | -              |
| Disposals                         | (1,738,810)                 | (98,837)      | -            | -                           | (1,837,647)    |
| Balance March 31, 2013            | 27,385,768                  | 19,947,252    | 243,161      | 55,234,161                  | 102,810,342    |
| <b>Accumulated amortization</b>   |                             |               |              |                             |                |
| Balance March 31, 2012            | 531,494                     | 5,713,020     | -            | 38,878,789                  | 45,123,303     |
| Elimination on disposal of assets | -                           | (49,324)      | -            | -                           | (49,324)       |
| Amortization                      | -                           | 549,307       | -            | 939,173                     | 1,488,480      |
| Balance March 31, 2013            | 531,494                     | 6,213,003     | -            | 39,817,962                  | 46,562,459     |
| Carrying amounts                  | \$ 26,854,274               | \$ 13,734,249 | \$ 243,161   | \$ 15,416,199               | \$ 56,247,883  |



# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF FINANCIAL POSITION - WHRC

March 31, 2013

|   | <u>2013</u>                 | <u>2012</u>                 |
|---|-----------------------------|-----------------------------|
| <b>ASSETS</b>   |                             |                             |
| Current Assets  |                             |                             |
| Cash (Note 9)   | \$ 1,569,461                | \$ 1,287,792                |
| Rents receivable  | 8,222                       | 17,836                      |
| Grants receivable (Note 3)                                      | 674,912                     | 122,123                     |
| Other receivables   | 78,915                      | 119,279                     |
| Subsidy due from CMHC (Note 4)                                  | 2,937                       | 3,184                       |
| Subsidy due from Manitoba Housing (Note 4)                      | 252,055                     | 249,976                     |
| Operating deficiency recoverable from Manitoba Housing (Note 5) | 134,172                     | -                           |
| Prepaid expenses  | 128,552                     | 113,100                     |
| Housing inventory (Notes 2(b) and 6)                            | 32,073                      | 581,031                     |
|   | <u>2,881,299</u>            | <u>2,494,321</u>            |
| Restricted Cash and Deposits                                    |                             |                             |
| Replacement Reserve Fund (Notes 2(c) and 7)                     |                             |                             |
| CMHC funded   | 88,339                      | 70,418                      |
| Manitoba Housing funded   | 3,985,278                   | 3,671,268                   |
| WHRC funded   | 303,187                     | 269,224                     |
|   | <u>4,376,804</u>            | <u>4,010,910</u>            |
| Capital Assets (Notes 2(d) and 8)                               | <u>25,456,447</u>           | <u>26,925,414</u>           |
|   | <u><u>\$ 32,714,550</u></u> | <u><u>\$ 33,430,645</u></u> |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF FINANCIAL POSITION - WHRC (continued)

March 31, 2013

|  | <u>2013</u>                 | <u>2012</u>                 |
|--|-----------------------------|-----------------------------|
| <b><i>LIABILITIES, RESERVES AND NET ASSETS</i></b>         |                             |                             |
| Current Liabilities  |                             |                             |
| Accounts payable and accrued liabilities                   | \$ 969,732                  | \$ 535,055                  |
| Accrued interest payable                                   | 185,485                     | 195,529                     |
| Security deposits and prepaid rent                         | 236,169                     | 249,389                     |
| Operating excess payable to Manitoba Housing (Note 5)      | -                           | 31,632                      |
| Current portion of forgivable loans (Notes 2(e) and 10)    | 166,986                     | 166,986                     |
| Current portion of long-term debt (Note 11)                | <u>1,418,344</u>            | <u>1,299,908</u>            |
|  | <u>2,976,716</u>            | <u>2,478,499</u>            |
| Deferred Revenue   | <u>3,305</u>                | <u>49,500</u>               |
| Forgivable Loans (Notes 2(e) and 10)                       | <u>1,323,815</u>            | <u>1,490,801</u>            |
| Long-term Debt (Note 11)                                   | <u>23,150,127</u>           | <u>24,568,504</u>           |
| Replacement Reserves                                       |                             |                             |
| Replacement Reserves - CMHC (Notes 2(c) and 7)             | 88,339                      | 70,418                      |
| Replacement Reserves - Manitoba Housing (Notes 2(c) and 7) | 3,985,278                   | 3,671,268                   |
| Replacement Reserves - WHRC (Notes 2(c) and 7)             | <u>303,187</u>              | <u>269,224</u>              |
|  | <u>4,376,804</u>            | <u>4,010,910</u>            |
| WHRC Building and Acquisition Reserve (Note 12)            | <u>1,045,631</u>            | <u>1,026,482</u>            |
|  | 32,876,398                  | 33,624,696                  |
| <b><i>UNRESTRICTED NET ASSETS (DEFICIT)</i></b>            | <u>(161,848)</u>            | <u>(194,051)</u>            |
|  | <u><u>\$ 32,714,550</u></u> | <u><u>\$ 33,430,645</u></u> |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF CHANGES IN NET ASSETS - WHRC

*Year ended March 31, 2013*

|  | <u>2013</u>                | <u>2012</u>                |
|--|----------------------------|----------------------------|
| (DEFICIENCY) EXCESS OF REVENUE OVER<br>EXPENSES, CMHC PROPERTIES                       | \$ (17,886)                | \$ 6,767                   |
| (DEFICIENCY) EXCESS OF REVENUE OVER<br>EXPENSES, MANITOBA HOUSING PROPERTIES           | (134,172)                  | 31,632                     |
| (DEFICIENCY) EXCESS OF REVENUE OVER<br>EXPENSES, WHRC RENTAL AND DEVELOPMENT           | (15,916)                   | 32,451                     |
| EXCESS OF REVENUE OVER<br>EXPENSES, WHRC HEAD OFFICE                                   | <u>66,005</u>              | <u>48,693</u>              |
| (DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES   | (101,969)                  | 119,543                    |
| <b><i>UNRESTRICTED NET ASSETS (DEFICIT),<br/>BEGINNING OF YEAR</i></b>                 | (194,051)                  | (281,962)                  |
| OPERATING DEFICIENCY RECOVERABLE FROM (EXCESS<br>PAYABLE TO) MANITOBA HOUSING (Note 5) | <u>134,172</u>             | <u>(31,632)</u>            |
| <b><i>UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR</i></b>                           | <u><u>\$ (161,848)</u></u> | <u><u>\$ (194,051)</u></u> |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF OPERATIONS - WHRC

Year ended March 31, 2013

|   | 2013                | 2012              |
|---|---------------------|-------------------|
| <b>REVENUE</b>                                      |                     |                   |
| Rental revenue                                      |                     |                   |
| Residential   | \$ 2,846,844        | \$ 2,851,430      |
| Commercial  | 55,336              | 55,102            |
| Manitoba Housing subsidy (Note 4)                   | 3,882,990           | 3,788,524         |
| Property management fees                            | 459,304             | 442,399           |
| City of Winnipeg operating grant                    | 195,000             | 200,000           |
| Development fees                                    | 131,316             | 59,442            |
| Parking and laundry                                 | 69,351              | 70,699            |
| CMHC subsidy (Note 4)                               | 37,960              | 38,207            |
| Home Ownership Training Initiative grant            | -                   | 63,234            |
| Other grants  | 24,602              | 22,386            |
| BCI-RNB Administration fees                         | 45,000              | 37,500            |
| Interest and other income                           | 36,033              | 27,266            |
|   | <b>7,783,736</b>    | <b>7,656,189</b>  |
| <b>EXPENSES</b>                                     |                     |                   |
| Administration                                      | 316,191             | 314,112           |
| Allocation to Replacement Reserve (Note 7)          | 483,650             | 332,182           |
| Amortization (Note 2(d))                            | 1,312,984           | 1,199,415         |
| Bad debts   | 34,122              | 28,828            |
| Bank charges and other interest                     | 2,790               | 3,427             |
| Cable T.V.  | 879                 | 832               |
| Collection fees                                     | 3,058               | 2,128             |
| Garbage removal                                     | 26,436              | 14,696            |
| Home Ownership Training Initiative                  | -                   | 63,234            |
| Insurance   | 209,272             | 123,525           |
| Janitorial services                                 | 261,624             | 277,117           |
| Maintenance and repairs                             | 699,034             | 699,051           |
| Mortgage interest                                   | 2,241,951           | 2,356,334         |
| Office operations                                   | 94,435              | 100,033           |
| Office salaries and benefits                        | 666,863             | 579,086           |
| Professional fees                                   | 47,196              | 62,391            |
| Property taxes                                      | 455,239             | 386,016           |
| Snow removal  | 20,692              | 9,063             |
| Electricity   | 368,468             | 332,098           |
| Natural gas   | 163,054             | 171,149           |
| Water   | 477,767             | 481,929           |
|   | <b>7,885,705</b>    | <b>7,536,646</b>  |
| <b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b> | <b>\$ (101,969)</b> | <b>\$ 119,543</b> |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## STATEMENT OF CASH FLOW - WHRC

Year ended March 31, 2013

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| <b><i>CASH PROVIDED BY (USED IN):</i></b>         |                            |                            |
| <b><i>OPERATING ACTIVITIES</i></b>                |                            |                            |
| Excess of revenue over expenses                   | \$ (101,969)               | \$ 119,543                 |
| Add non cash items:                               |                            |                            |
| Amortization                                      | <u>1,312,984</u>           | <u>1,199,415</u>           |
|   | <b>1,211,015</b>           | <b>1,318,958</b>           |
| Change in non-cash working capital:               |                            |                            |
| Rents receivable                                  | 9,614                      | 604                        |
| Grants receivable                                 | (552,789)                  | 90,013                     |
| Other receivables                                 | 40,364                     | 48,620                     |
| Subsidy due from CMHC                             | 247                        | -                          |
| Subsidy due from Manitoba Housing                 | (2,079)                    | 12,303                     |
| Prepaid expenses                                  | (15,452)                   | (8,522)                    |
| Housing inventory                                 | 548,958                    | 282,550                    |
| Accounts payable and accrued liabilities          | 434,677                    | (178,602)                  |
| Accrued interest payable                          | (10,044)                   | (8,467)                    |
| Security deposits and prepaid rent                | (13,220)                   | 19,570                     |
| Deferred revenue                                  | <u>(46,195)</u>            | <u>(63,400)</u>            |
|   | <b>1,605,096</b>           | <b>1,513,627</b>           |
| <b><i>INVESTING ACTIVITIES</i></b>                |                            |                            |
| Purchase of capital assets                        | (4,280)                    | (1,270)                    |
| Increase in Manitoba Housing replacement reserve  | 314,010                    | 213,934                    |
| Increase in CMHC replacement reserve              | 17,921                     | 1,338                      |
| Increase in WHRC replacement reserve              | 33,963                     | 15,959                     |
| Increase in WHRC building and acquisition reserve | <u>19,149</u>              | <u>33,834</u>              |
|   | <b>380,763</b>             | <b>263,795</b>             |
| <b><i>FINANCING ACTIVITIES</i></b>                |                            |                            |
| Decrease in forgivable loans                      | (6,724)                    | (6,724)                    |
| Repayment of long-term debt                       | (1,299,940)                | (1,187,135)                |
| Manitoba Housing recoveries                       | <u>(31,632)</u>            | <u>31,933</u>              |
|   | <b>(1,338,296)</b>         | <b>(1,161,926)</b>         |
| <b><i>INCREASE IN CASH</i></b>                    | <b>647,563</b>             | <b>615,496</b>             |
| <b><i>CASH, BEGINNING OF YEAR</i></b>             | <u><b>5,298,702</b></u>    | <u><b>4,683,206</b></u>    |
| <b><i>CASH, END OF YEAR (NOTE 13)</i></b>         | <u><b>\$ 5,946,265</b></u> | <u><b>\$ 5,298,702</b></u> |



# WINNIPEG HOUSING REHABILITATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS

*Year ended March 31, 2013*

### **1. Accounting Entity**

The corporation is engaged in providing affordable housing in the Core Area of Winnipeg. The corporation is mandated by the City of Winnipeg, but receives assistance by way of government sponsorship through Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing. The corporation's activities include a property management head office, management of individual properties and a housing development program. The corporation is not taxable under section 149 of the Income Tax Act.

For GST purposes, the corporation is designated as a municipality and is able to recover 100% of the GST paid.

### **2. Significant Accounting Policies**

The financial statements of the corporation have been prepared solely for the information and use of CMHC and Manitoba Housing to comply with each of their operating agreements. The corporation follows certain accounting principles as determined by CMHC and Manitoba Housing for administration and funding purposes in recording expenses.

#### **a) Basis of Accounting**

The corporation follows the accrual basis of accounting whereby revenue is recognized when earned and expenses are recorded when incurred.

#### **b) Housing Inventory**

Housing inventory is recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. No amortization is being taken on the housing inventory. These buildings are construction in progress.

#### **c) Replacement Reserve Fund**

The Replacement Reserve Fund accounts are maintained to provide for future asset replacement. The accounts are established by an annual charge against operations. Interest earned is added and replacement costs are charged directly against the accumulated reserves.

#### **d) Capital Assets**

Capital assets are recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. Government grants received to assist in the development of rental properties are applied against the capital cost of the respective property. Interest expense, project costs and rental revenue, incurred prior to the determined interest adjustment date, are applied towards the capital cost of the property. Furniture and equipment costing less than \$1,000 are expensed. Options and feasibility studies are added to the cost of acquired property or expensed if the property is not acquired. Any forgivable loans received are charged against the capital cost of the property.

## 2. *Significant Accounting Policies (continued)*

Amortization is provided for as follows:

|                         |  |
|-------------------------|--|
| Computer equipment      | - straight-line over three years   |
| Furniture and equipment | - straight-line over five years  |
| Rental properties       | - an amount equal to the principal reduction of the mortgage, in accordance with the requirements of the organization's funding bodies |
|                         | - for properties not financed by debt, an amount equal to 4% of the opening net book value of the property                             |
| General                 | - a replacement reserve is maintained to provide for future asset replacement  |

### e) **Forgivable Loans**

The corporation receives funding from different organizations. These loans are to be forgiven over 15 years from the completion date of the property.

### f) **Revenue Recognition**

The corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectability is reasonably assured.

Rental, parking and laundry revenue and property management fees are recognized over the term of the lease.

### g) **Financial Instruments**

Financial instruments held by the corporation include cash, rents receivable, other receivables, restricted cash and deposits, accounts payable and accrued liabilities, accrued interest payable, and long-term debt. The corporation initially measures its financial instruments at fair market value and subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition, less principal repayments, plus or minus the cumulative difference between that initial amount and the maturity amount, and minus any reduction for impairment.

## 3. *Grants Receivable*

The corporation has the following grants that are receivable from the Province of Manitoba and the City of Winnipeg:

|                          | <u>2013</u>       | <u>2012</u>       |
|--------------------------|-------------------|-------------------|
| Infill Housing Project   |                   |                   |
| AHI Province of Manitoba | \$ 638,912        | \$ 106,123        |
| City of Winnipeg         | <u>36,000</u>     | <u>16,000</u>     |
|                          | <u>\$ 674,912</u> | <u>\$ 122,123</u> |

#### 4. *Subsidy Due from CMHC and Manitoba Housing*

The CMHC properties are subsidized for mortgage interest on a monthly basis through the reduction of the interest rates from market to 2%, in order to provide housing to low income individuals. The Manitoba Housing properties are subsidized for mortgage interest and property taxes on a monthly basis.

#### 5. *Operating Deficiency Recoverable from (Excess Payable To) Manitoba Housing*

Pursuant to the current operating agreement with Manitoba Housing, and the agreements with CMHC which expired March 31, 1999, on a cumulative basis for each portfolio of properties, any excess funding provided to the corporation is to be repaid. Where a cumulative deficiency exists for Manitoba Housing properties, the shortfall is the responsibility of Manitoba Housing subject to Manitoba Housing approval of project costs.

|   | <b>2013</b>       | 2012        |
|---|-------------------|-------------|
| Operating deficiency recoverable from (excess payable to) |                   |             |
| Manitoba Housing  | <b>\$ 134,172</b> | \$ (31,632) |

#### 6. *Housing Inventory*

The corporation has undertaken projects to acquire property and develop housing in the Spence, Centennial, and North End neighbourhoods. The allocation is as follows:

|                      | <b>2013</b>      | 2012       |
|----------------------|------------------|------------|
| Spence               |                  |            |
| 419 Sherbrook Street | \$ 4,483         | \$ 6,724   |
| 663 Furby Street     | 4,483            | 6,724      |
| 452 Langside Street  | 4,483            | 6,724      |
|                      | <b>13,449</b>    | 20,172     |
| Centennial           |                  |            |
| 422/426 Ross Avenue  | <b>18,624</b>    | 50,096     |
| North End            |                  |            |
| 138 Argyle Street    | -                | 710        |
| 381 Manitoba Avenue  | -                | (1,000)    |
| 497 Magnus Avenue    | -                | (1,000)    |
| 499 Magnus Avenue    | -                | (1,000)    |
| 611 Magnus Avenue    | -                | (1,000)    |
| 268 Pritchard Avenue | -                | 106,771    |
| 276 Manitoba Avenue  | -                | 863        |
| 278 Manitoba Avenue  | -                | 862        |
| 301 Burrows Avenue   | -                | 92,707     |
| 307 Austin Street    | -                | 19,581     |
| 311 Austin Street    | -                | 19,082     |
| 319 Aberdeen Avenue  | -                | 1,039      |
| 360 Pritchard Avenue | -                | 76,545     |
| 394 Alfred Avenue    | -                | 1,024      |
| 419 Alfred Avenue    | -                | 1,006      |
| 456 Burrows Avenue   | -                | 90,443     |
| 592 Magnus Avenue    | -                | 102,118    |
| 619 Aberdeen         | -                | 1,006      |
| 637 Aberdeen Avenue  | -                | 1,006      |
|                      | -                | 510,763    |
|                      | <b>\$ 32,073</b> | \$ 581,031 |

## 7. *Replacement Reserve Fund*

Under the terms of the agreements with CMHC/Manitoba Housing, the Replacement Reserve account is to be credited with an annual charge against earnings. These funds along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC/Manitoba Housing from time to time. The funds in the account may only be used as approved by CMHC/Manitoba Housing. Withdrawals are credited to interest first and then principal.

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| Allocation  |                     |                     |
| Annual charge   | <u>\$ 483,650</u>   | <u>\$ 332,182</u>   |
| Year end balance  |                     |                     |
| Cash  | \$ 499,618          | \$ 215,480          |
| Canadian Treasury Bills, Bonds and Guaranteed Investment Certificates | <u>3,877,186</u>    | <u>3,795,430</u>    |
|   | <u>\$ 4,376,804</u> | <u>\$ 4,010,910</u> |

## 8. *Capital Assets*

|                         | <u>2013</u>          |                                 | <u>2012</u>          |                                 |
|-------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
|                         | <u>Cost</u>          | <u>Accumulated Amortization</u> | <u>Cost</u>          | <u>Accumulated Amortization</u> |
| Rental properties       | \$ 39,314,307        | \$ 13,890,006                   | \$ 39,474,569        | \$ 12,589,858                   |
| Furniture and equipment | <u>265,083</u>       | <u>232,937</u>                  | <u>260,803</u>       | <u>220,100</u>                  |
|                         | <u>\$ 39,579,390</u> | <u>\$ 14,122,943</u>            | <u>\$ 39,735,372</u> | <u>\$ 12,809,958</u>            |
| Net book value          | <u>\$ 25,456,447</u> |                                 | <u>\$ 26,925,414</u> |                                 |

## 9. *Cash and Line of Credit*

The corporation has a line of credit with the Assiniboine Credit Union with an approved maximum of \$1,800,000 which is due on demand and bears interest at the Credit Union's prime rate, payable monthly. This line of credit is secured by a \$2,000,000 guarantee by the City of Winnipeg. Included in cash, the corporation has utilized \$166,721 of this line of credit as at March 31, 2013 (2012 - \$585,421).

## 10. *Forgivable Loans*

|                       | <u>2013</u>         | <u>2012</u>         |
|-----------------------|---------------------|---------------------|
| Forgivable loans      | \$ 1,490,801        | \$ 1,657,787        |
| Less: current portion | <u>166,986</u>      | <u>166,986</u>      |
|                       | <u>\$ 1,323,815</u> | <u>\$ 1,490,801</u> |

WHRC has entered into various forgivable loan agreements with Manitoba Housing under various programs. These loans are forgivable over a periods of five, ten or fifteen years (depending on agreement), in equal monthly amounts, commencing from the date of execution of the agreement. In the event a housing unit is sold or otherwise transferred before the entire loan is forgiven, any unforgiven portion shall become payable to Manitoba Housing.

# 10. Forgivable Loans (continued)

The loans will be forgiven for the years ended as follows:

|                |                            |
|----------------|----------------------------|
| March 31, 2014 | \$ 166,986                 |
| 2015           | 166,986                    |
| 2016           | 160,262                    |
| 2017           | 155,333                    |
| 2018           | 154,833                    |
| Thereafter     | <u>686,401</u>             |
|                | <u><u>\$ 1,490,801</u></u> |

# 11. Long-Term Debt

| Lender                              | Interest Rate  | Maturity Dates | 2013                        | 2012                        |
|-------------------------------------|----------------|----------------|-----------------------------|-----------------------------|
| Assiniboine Credit Union            | 2.75% - 6.50%  | 2013-2029      | \$ 264,830                  | \$ 277,672                  |
| TD Canada Trust                     | 5.10%          | 2017           | 742,756                     | 764,170                     |
| Canada Mortgage Housing Corporation | 4.52% - 5.50%  | 2017-2021      | 3,594,466                   | 3,888,754                   |
| Manitoba Housing                    | 6.63% - 12.50% | -              | <u>19,966,419</u>           | <u>20,937,816</u>           |
|                                     |                |                | <b>24,568,471</b>           | 25,868,412                  |
| Less: current portion               |                |                | <u>1,418,344</u>            | <u>1,299,908</u>            |
|                                     |                |                | <u><u>\$ 23,150,127</u></u> | <u><u>\$ 24,568,504</u></u> |

All mortgages are secured by a charge registered against the properties.

Although some of the mortgages may become due within the next fiscal period, these mortgages have not been shown as current as they are expected to be refinanced on similar terms when they come due.

The principal portion of long-term debt is repayable for the years ended as follows:

|                       |                             |
|-----------------------|-----------------------------|
| March 31, 2014        | \$ 1,418,344                |
| 2015                  | 1,547,977                   |
| 2016                  | 1,681,401                   |
| 2017                  | 1,812,008                   |
| 2018                  | 1,974,812                   |
| Thereafter            | 15,038,057                  |
| CMHC second mortgages | <u>1,095,872</u>            |
|                       | <u><u>\$ 24,568,471</u></u> |

# 12. WHRC Building and Acquisition Reserve

The WHRC building and acquisition reserve consists of the net gains/losses on buildings that were sold, the accumulated operation surplus/deficits of those buildings and the realized gain on forgivable loans. These funds are restricted for use acquiring or building properties and adding them to WHRC's rental portfolio.

### ***13. Additional Information to Cash Flow Statement***

|                              | <b>2013</b>         | 2012         |
|------------------------------|---------------------|--------------|
| Cash represented by:         |                     |              |
| Cash                         | \$ <b>1,569,461</b> | \$ 1,287,792 |
| Restricted cash and deposits | <b>4,376,804</b>    | 4,010,910    |
|                              | <b>\$ 5,946,265</b> | \$ 5,298,702 |
| Interest received            | \$ <b>145,900</b>   | \$ 163,571   |
| Interest paid                | <b>2,252,965</b>    | 2,365,783    |

### ***14. Income Testing***

The corporation has requested and obtained evidence of the income of tenants paying rent according to the rent-to-income scale as required by sub-paragraph 2(S) of the Operating Agreement with CMHC and Manitoba Housing.

The corporation has applied a rent-to-income ratio for those leases in accordance with sub-paragraph 2(S) of the Operating Agreement.

The corporation has adjusted the rental charge for rent-to-income leases in accordance with sub-paragraph 2(S) of the Operating Agreement.

### ***15. Use of Estimates***

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods presented. Actual results could differ from these estimates.





**THE CITY OF WINNIPEG  
COUNCIL PENSION BENEFITS PROGRAM  
(Established under By-law 7869/2001)**

**STATEMENT OF FINANCIAL POSITION**

*As at December 31*

|   | <b>2013</b>         | 2012                  |
|---|---------------------|-----------------------|
| <b>ASSETS</b>   |                     |                       |
| Investments   |                     |                       |
| Cash and short-term deposits (Note 3)   | \$ 120,001          | \$ 56,369             |
| Canadian securities (Note 3)  | <b>3,479,528</b>    | 2,658,690             |
|   | <b>3,599,529</b>    | 2,715,059             |
| Accrued interest (Note 3)   | <b>32,945</b>       | 20,844                |
| Due from the City of Winnipeg   | <b>3,328</b>        | 1,717                 |
| Total Assets  | <b>3,635,802</b>    | 2,737,620             |
| <b>LIABILITIES</b>  |                     |                       |
| Accounts payable and accrued liabilities  | <b>44,787</b>       | 49,178                |
| Total Liabilities   | <b>44,787</b>       | 49,178                |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>  | <b>3,591,015</b>    | 2,688,442             |
| <b>OBLIGATION FOR PENSION BENEFITS (Note 4)</b>                                   | <b>3,945,291</b>    | 3,771,072             |
| <b>NET ASSETS AVAILABLE FOR BENEFITS LESS<br/>OBLIGATION FOR PENSION BENEFITS</b> | <b>\$ (354,276)</b> | <b>\$ (1,082,630)</b> |

*See accompanying notes to the financial statements*



**THE CITY OF WINNIPEG  
COUNCIL PENSION BENEFITS PROGRAM  
(Established under By-law 7869/2001)**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

*For the years ended December 31*

|  | <b>2013</b>         | 2012         |
|--|---------------------|--------------|
| <b><i>INCREASE IN ASSETS</i></b>                       |                     |              |
| Contributions  |                     |              |
| The City of Winnipeg (Note 5)                          | \$ 1,100,691        | \$ 313,326   |
| Plan members   | <b>108,009</b>      | 106,791      |
|  | <b>1,208,700</b>    | 420,117      |
| Investment income from                                 |                     |              |
| Canadian securities                                    | <b>80,242</b>       | 51,871       |
| Cash and short-term deposits                           | <b>818</b>          | 507          |
|  | <b>81,060</b>       | 52,378       |
| Current period change in fair value of investments     | -                   | 16,721       |
| Other  | -                   | 15           |
| Total increase in assets                               | <b>1,289,760</b>    | 489,231      |
| <b><i>DECREASE IN ASSETS</i></b>                       |                     |              |
| Administrative expenses                                |                     |              |
| Actuarial fees   | <b>25,031</b>       | 50,217       |
| Investment management, audit and administrative fees   | <b>14,390</b>       | 15,196       |
|  | <b>39,421</b>       | 65,413       |
| Benefit payments                                       |                     |              |
| Pension payments                                       | <b>62,566</b>       | 66,890       |
| Commutated value benefit                               | -                   | 142,217      |
|  | <b>62,566</b>       | 209,107      |
| Current period change in fair value of investments     | <b>285,200</b>      | -            |
| Total decrease in assets                               | <b>387,187</b>      | 274,520      |
| Increase in net assets                                 | <b>902,573</b>      | 214,711      |
| Net assets available for benefits at beginning of year | <b>2,688,442</b>    | 2,473,731    |
| Net assets available for benefits at end of year       | <b>\$ 3,591,015</b> | \$ 2,688,442 |

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
COUNCIL PENSION BENEFITS PROGRAM  
(Established under By-law 7869/2001)**

**STATEMENT OF CHANGES IN PENSION BENEFITS OBLIGATION**

*For the years ended December 31*

|  | <u>2013</u>                | <u>2012</u>                |
|--|----------------------------|----------------------------|
| <b><i>OBLIGATION FOR PENSION BENEFITS AT<br/>BEGINNING OF YEAR</i></b> | <b>\$ 3,771,072</b>        | \$ 3,220,620               |
| Benefits accrued   | <b>424,548</b>             | 419,581                    |
| Interest accrued on benefits   | <b>181,795</b>             | 159,641                    |
| Benefits paid  | <b>(62,566)</b>            | (209,107)                  |
| Changes in actuarial assumptions                                       | <b>(369,558)</b>           | 180,337                    |
| <b><i>OBLIGATION FOR PENSION BENEFITS AT END OF YEAR</i></b>           | <b><u>\$ 3,945,291</u></b> | <b><u>\$ 3,771,072</u></b> |

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
COUNCIL PENSION BENEFITS PROGRAM  
(Established under By-law 7869/2001)**

**NOTES TO THE FINANCIAL STATEMENTS**

*December 31, 2013*

**1. Description of Plan**

**a) General**

The Council Pension Benefits Program (the "Program") was established on July 18, 2001 by The City of Winnipeg Council Pension Plan By-law No. 7869/2001, which deemed the Program to have come into existence on January 1, 2001. The Program means the benefits program consisting of The City of Winnipeg Council Pension Plan ("Part A" or "Plan") and The City of Winnipeg Council Early Retirement Benefits Arrangement ("Part B"). Part A and Part B are defined pension plans, which provide pension benefits for The City of Winnipeg Council (the "Council") members. All members of Council were required to become members of the Program on January 1, 2001.

**b) Contributions**

For Part A, members contribute 6 1/2% of their Canada Pension Plan earnings plus 7 1/2% of any earnings in excess of their Canada Pension Plan earnings. The City of Winnipeg (the "City") makes contributions as required, based on the recommendation of the actuary for Part A. The City is responsible for ensuring that the actuarial liabilities of Part A are adequately funded over time. Any surplus disclosed in an actuarial valuation of Part A may be used to reduce the City's required contributions to Part A or used as a contingency reserve to offset possible future losses of Part A.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

**c) Retirement pensions**

For each member, the Program allows for retirement at or after the age of 55, or following completion of 30 years of service, or when the sum of a member's age plus years of credited service equals 80, or if the member becomes totally and permanently disabled.

The pension formula prior to age 65 is equal to 2%, multiplied by the member's best 5-year average earnings, multiplied by the number of years of credited service. The pension formula after the age of 65 is equal to the member's years of credited service multiplied by the aggregate of 1.5% of the member's best 5-year average Canada Pension Plan earnings plus 2% of the member's best 5-year average non-Canada Pension Plan earnings.

For part A, the amount determined by the pension formula above is reduced by 0.25% for each month by which the member's date of retirement precedes the earliest of the day on which the: member will attain age 60, member would have completed 30 years of service had employment continued, or member's age plus years of service would have totaled 80 had employment continued.

For Part B, the amount payable is equal to the amount determined by the pension formula above less the amount payable under Part A.

Benefits are indexed each July 1 at a rate of 80% of Consumer Price Inflation (Canada) from the date the pension commences to be paid.

## **1. *Description of Plan (continued)***

### **d) Deemed retirement**

Any Program member who is not retired on December 1 of the taxation year in which the Program member attains age 71 shall be deemed to have retired on that day.

### **e) Survivor's benefits**

On a member's death before retirement Part A provides for survivor's benefits and Part B does not. The Program provides for survivor's benefits on a member's death after retirement.

### **f) Termination benefits**

Upon application and subject to locking-in provisions, deferred pensions or equivalent lump sum benefits with respect to Part A accruals are payable to a Program member when a Program member ceases to be an elected official with the City prior to being eligible to retire under the Program. No benefits are payable under Part B when a Program member ceases to be an elected official with the City prior to being eligible to retire under the Program.

Benefits are indexed each July 1 at a rate of 80% of Consumer Price Inflation (Canada) up to the date the deferred pension commences to be paid.

### **g) Re-election**

If a Program member who is receiving a pension from the Program is re-elected, the Program member's pension will be suspended prior to the Program member becoming an elected official with the City and their years of credited service will be added to the Program member's years of credited service after re-election.

### **h) Administration**

The Program is administered by the Council Pension Benefits Board ("Board") which is comprised of three representatives appointed by the Council, only one of whom may be a Councillor, and the Chief Financial Officer of the City or his or her designate.

## **2. *Significant Accounting Policies***

### **a) Basis of presentation**

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Program as a separate financial reporting entity, independent of the sponsor and Program members. They are prepared to assist Program members and others in reviewing the activities of the Program for the fiscal period.

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. In selecting accounting policies that do not relate to its investment portfolio or pension obligations the Program complies on a consistent basis with Canadian accounting standards for private enterprises ("ASPE").

## **2. Significant Accounting Policies (continued)**

### **b) Financial instruments**

#### **i) Initial measurement**

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other financing fees and transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

#### **ii) Subsequent to initial recognition**

Investments are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in the statement of changes in net assets available for benefits in the period incurred. Other financial instruments are measured at amortized cost.

### **c) Investments**

#### **i) Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Plan measures fair value of investments using quoted prices in an active market. The Plan uses closing market prices as a practical expedient for fair value measurement.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of current period change in fair value of investments.

Fair values of investments are determined as follows:

Canadian securities are valued at year-end quoted closing prices.

Cash and short-term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

#### **ii) Income recognition**

Income from investments is recorded on an accrual basis and includes interest income, dividends and other income.

### **d) Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of net assets, changes in net assets, and related disclosures. Actual results could differ from those estimates. The most significant use of estimates is the assumption used in the actuarial valuation and extrapolation for the obligation for pension benefits (Note 4).

## **2. *Significant Accounting Policies (continued)***

### **e) Income taxes**

Part A is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, the pension fund is not subject to income taxes.

Part B is a supplemental pension plan where the City pays the full cost of benefits and expenses as they become payable.

## **3. *Risk Management***

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. Therefore, the objective of investment risk management is to diversify investment assets to reduce the likelihood of a significant reduction in total fund value while achieving the opportunity for gains in the portfolio within acceptable risk parameters. This is achieved by diversifying the investment portfolio within the constraints of the investment policy and objectives by regularly monitoring the Plan's position and market events.

### **a) Market risk**

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

#### **i) Interest rate risk**

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income and obligation for pension benefits. This risk arises from the differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's interest bearing assets is affected by short-term changes in market interest rates.

Pension liabilities are exposed to the long-term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet pension obligations.

#### **ii) Foreign currency risk**

The Plan does not have any foreign currency risk as it only holds investments denominated in Canadian dollars.

#### **iii) Other price risk**

The Plan's investments in equities are sensitive to changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. To manage the Plan's other price risk, the Board adopted an indexing strategy that diversifies risk over a wide range of investments that mirror the liabilities of the Plan.

As at December 31, 2013, a decline of 10 percent in value of equity investments, with all other variables held constant, would have impacted the Plan's equity investments by an approximate unrealized loss of \$348,000 (2012 - \$266,000).

### 3. Risk Management (continued)

#### b) Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. At December 31, 2013, the Plan's maximum credit risk exposure relates to accrued interest, cash and short-term deposits totalling \$152,946 (2012 - \$77,213).

#### c) Liquidity risk

Liquidity risk refers to the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities through selling or acquiring investments in a timely and cost-effective manner. The Plan maintains a portfolio of highly marketable Canadian assets that may be sold as protection against any unforeseen interruption to cash flow.

#### d) Fair value

The Plan's assets, which are recorded at fair value, have been categorized into one of the following categories reflecting the significant inputs used in making the fair value measurement:

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following is a summary of the inputs used as of December 31, 2013 and 2012 in valuing the Plan's financial assets recorded at fair value:

|                              | Level 1             | Level 2     | Level 3     | 2013<br>Total       |
|------------------------------|---------------------|-------------|-------------|---------------------|
| Cash and short-term deposits | \$ 120,001          | \$ -        | \$ -        | \$ 120,001          |
| Canadian securities          | 3,479,528           | -           | -           | 3,479,528           |
|                              | <u>\$ 3,599,529</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,599,529</u> |
|                              | Level 1             | Level 2     | Level 3     | 2012<br>Total       |
| Cash and short-term deposits | \$ 56,369           | \$ -        | \$ -        | \$ 56,369           |
| Canadian securities          | 2,658,690           | -           | -           | 2,658,690           |
|                              | <u>\$ 2,715,059</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,715,059</u> |

Canadian securities consist of the following;

|                                     | 2013                | 2012                |
|-------------------------------------|---------------------|---------------------|
| iShares real return bond index fund | \$ 2,072,764        | \$ 1,809,498        |
| iShares S&P/TSX 60 index fund       | 1,112,800           | 614,047             |
| BMO long federal bond index fund    | 293,964             | 235,145             |
|                                     | <u>\$ 3,479,528</u> | <u>\$ 2,658,690</u> |

#### 4. *Obligation for Pension Benefits*

An actuarial valuation of the Program was prepared as at December 31, 2011 and extrapolated to December 31, 2013, by Mercer (Canada) Limited ("Mercer"). The actuarial present value of accrued pension benefits for the valuation was determined using the projected benefit method pro-rated on service and using assumptions approved by the Board with input from the actuary.

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 5.4% (2012 - 4.6%) per annum, a rate of return on assets of 5.4% (2012 - 4.6%) per annum, and a general rate of salary increase of 2.5% (2012 - 2.5%) per annum.

The obligation for pension benefits is comprised of the following:

|        | <b>2013</b>                | 2012                       |
|--------|----------------------------|----------------------------|
| Part A | <b>\$ 3,730,232</b>        | \$ 3,581,454               |
| Part B | <b>215,059</b>             | 189,618                    |
|        | <b><u>\$ 3,945,291</u></b> | <b><u>\$ 3,771,072</u></b> |

#### 5. *Contributions*

|                               | <b>2013</b>                | 2012                     |
|-------------------------------|----------------------------|--------------------------|
| Current service               | <b>\$ 318,691</b>          | \$ 313,326               |
| Special contribution (Note 6) | <b>782,000</b>             | -                        |
|                               | <b><u>\$ 1,100,691</u></b> | <b><u>\$ 313,326</u></b> |

For Part A, the City's contributions to the Plan are due within four weeks of the required date. The City is charged interest on all balances outstanding past the due date.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

#### 6. *Capital Management*

For Part A, the main objective of the Board is to sustain a level of net assets in order to meet the pension obligation of Part A. The Board fulfills this objective by ensuring member and City contributions are remitted to the pension fund in accordance with the terms of Part A and adhering to specific investment policies including asset mix and rate of return expectations, outlined in the Board approved Statement of Investment Policies and Procedures. Investment policy, strategies and performance are reviewed regularly by the Board.

For Part A, the City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded. The Board is required to have an actuarial funding valuation for Part A filed with Canada Revenue Agency. The most recent actuarial funding valuation filed for Part A was prepared by Mercer for the period ended December 31, 2011 and reported a \$782 thousand shortfall that was funded by the City of Winnipeg during the year. The next actuarial funding valuation for Part A is scheduled to be filed as at December 31, 2014 and will be completed in 2015.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

#### 7. *Related Party Transactions*

The Program receives administrative support from the City at no cost to the Program.





# THE CITY OF WINNIPEG

## WINNIPEG POLICE PENSION PLAN

### STATEMENT OF FINANCIAL POSITION

As at December 31

(unaudited)

|   | <b>2013</b>      | 2012               |
|---|------------------|--------------------|
|   | <b>(000's)</b>   | (000's)            |
| <b>ASSETS</b>                                       |                  |                    |
| Investments, at fair value                          |                  |                    |
| Bonds and debentures                                | \$ 241,296       | \$ 282,655         |
| Canadian equities                                   | 328,195          | 295,684            |
| Foreign equities                                    | 367,318          | 299,873            |
| Cash and short-term deposits                        | 57,173           | 22,506             |
| Private equities                                    | 18,190           | 15,455             |
| Real estate   | 83,810           | 37,968             |
| Infrastructure                                      | 26,160           | -                  |
|   | <b>1,122,142</b> | 954,141            |
| Accrued interest                                    | -                | 659                |
| Participants' contributions receivable              | -                | 6                  |
| Employers' contributions receivable                 | 1                | 13                 |
| Accounts receivable                                 | 241              | 109                |
| Due from The Winnipeg Civic Employees' Pension Plan | 7                | 42                 |
| Total Assets  | <b>1,122,391</b> | 954,970            |
| <b>LIABILITIES</b>                                  |                  |                    |
| Accounts payable                                    | 2,128            | 1,678              |
| Total Liabilities                                   | <b>2,128</b>     | 1,678              |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>            | <b>1,120,263</b> | 953,292            |
| <b>PENSION OBLIGATIONS</b>                          | <b>1,034,654</b> | 1,014,501          |
| <b>SURPLUS (DEFICIT)</b>                            | <b>\$ 85,609</b> | <b>\$ (61,209)</b> |
| <b>SURPLUS (DEFICIT) COMPRISED OF:</b>              |                  |                    |
| Main Account - General Component                    | \$ 75,949        | \$ (87,479)        |
| Main Account - Contributions Stabilization Reserve  | -                | 18,131             |
| Plan Members' Account                               | 9,660            | 8,139              |
|   | <b>\$ 85,609</b> | <b>\$ (61,209)</b> |

See accompanying notes to the financial statements

# THE CITY OF WINNIPEG

## WINNIPEG POLICE PENSION PLAN

### STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

*For the years ended December 31*

*(unaudited)*

|  | <u>2013</u><br>(000's) | <u>2012</u><br>(000's) |
|--|------------------------|------------------------|
| <b><i>INCREASE IN ASSETS</i></b>                       |                        |                        |
| Contributions  |                        |                        |
| The City of Winnipeg                                   | \$ 20,954              | \$ 17,129              |
| Employees  | 11,282                 | 11,367                 |
| Reciprocal transfers from other plans                  | 598                    | 9                      |
|  | <u>32,834</u>          | 28,505                 |
| Investment income (Note 5)                             | 26,978                 | 29,542                 |
| Current period change in fair value of investments     | 153,056                | 45,908                 |
|  | <u>212,868</u>         | 103,955                |
| <b><i>DECREASE IN ASSETS</i></b>                       |                        |                        |
| Pension payments                                       | 41,660                 | 39,470                 |
| Lump sum benefits (Note 7)                             | 553                    | 2,769                  |
| Administrative expenses (Note 8)                       | 909                    | 989                    |
| Investment management and custodial fees               | 2,775                  | 2,054                  |
|  | <u>45,897</u>          | 45,282                 |
| Total decrease in assets                               | <u>45,897</u>          | 45,282                 |
| Increase in net assets                                 | 166,971                | 58,673                 |
| Net assets available for benefits at beginning of year | 953,292                | 894,619                |
| Net assets available for benefits at end of year       | <u>\$ 1,120,263</u>    | <u>\$ 953,292</u>      |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG

## WINNIPEG POLICE PENSION PLAN

### STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the years ended December 31  
(unaudited)

|  | <u>2013</u><br>(000's)     | <u>2012</u><br>(000's)     |
|--|----------------------------|----------------------------|
| <b>ACCRUED PENSION BENEFITS, BEGINNING OF YEAR</b>           | <b>\$ 1,014,501</b>        | <b>\$ 933,774</b>          |
| <b>INCREASE IN ACCRUED PENSION BENEFITS</b>                  |                            |                            |
| Interest on accrued pension benefits                         | 58,047                     | 57,464                     |
| Benefits accrued   | 33,429                     | 32,689                     |
| Changes in actuarial assumptions                             | -                          | 38,612                     |
|  | <u>91,476</u>              | <u>128,765</u>             |
| Total increase in accrued pension benefits                   |                            |                            |
| <b>DECREASE IN ACCRUED PENSION BENEFITS</b>                  |                            |                            |
| Benefits paid  | 42,213                     | 42,239                     |
| Experience gains and losses and other factors                | 10,176                     | 4,971                      |
| Changes in actuarial assumptions                             | 18,063                     | -                          |
| Administration expenses                                      | 871                        | 828                        |
|  | <u>71,323</u>              | <u>48,038</u>              |
| Total decrease in accrued pension benefits                   |                            |                            |
| <b>NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR</b> | <b><u>20,153</u></b>       | <b><u>80,727</u></b>       |
| <b>ACCRUED PENSION BENEFITS, END OF YEAR</b>                 | <b><u>\$ 1,034,654</u></b> | <b><u>\$ 1,014,501</u></b> |

### STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

For the years ended December 31

|  | <u>2013</u><br>(000's)  | <u>2012</u><br>(000's)    |
|--|-------------------------|---------------------------|
| <b>(DEFICIT) SURPLUS, BEGINNING OF YEAR</b>                | <b>\$ (61,209)</b>      | <b>\$ (39,155)</b>        |
| Increase in net assets available for benefits for the year | 166,971                 | 58,673                    |
| Increase in accrued pension benefits for the year          | <u>(20,153)</u>         | <u>(80,727)</u>           |
| <b>SURPLUS (DEFICIT), END OF YEAR</b>                      | <b><u>\$ 85,609</u></b> | <b><u>\$ (61,209)</u></b> |

See accompanying notes to the financial statements

# THE CITY OF WINNIPEG WINNIPEG POLICE PENSION PLAN

## SCHEDULE 1

### SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

For the year ended December 31  
(unaudited)

|  | 2013                                  |   |                          |              |
|--|---------------------------------------|---|--------------------------|--------------|
|  | (000's)                               | (000's)   | (000's)                  | (000's)      |
|  | Main Account-<br>General<br>Component | Main Account-<br>Contribution<br>Stabilization<br>Reserve | Plan Members'<br>Account | Total        |
| <b>INCREASE IN ASSETS</b>                              |                                       |   |                          |              |
| Contributions  |                                       |   |                          |              |
| The City of Winnipeg                                   | \$ 20,954                             | \$ -  | \$ -                     | \$ 20,954    |
| Employees  | 11,282                                | -   | -                        | 11,282       |
| Reciprocal transfers from other plans                  | 598                                   | -   | -                        | 598          |
| Investment income (Note 5)                             | 32,834                                | -   | -                        | 32,834       |
| Current period change in fair value of investments     | 26,746                                | -   | 232                      | 26,978       |
| Transfer from Contribution Stabilization Reserve -     | 151,742                               | -   | 1,314                    | 153,056      |
| Resolution of funding deficiency (Note 3)              | 18,131                                | (18,131)  | -                        | -            |
| Total increase (decrease) in assets                    | 229,453                               | (18,131)  | 1,546                    | 212,868      |
| <b>DECREASE IN ASSETS</b>                              |                                       |   |                          |              |
| Pension payments                                       | 41,660                                | -   | -                        | 41,660       |
| Lump sum benefits (Note 7)                             | 553                                   | -   | -                        | 553          |
| Administrative expenses (Note 8)                       | 909                                   | -   | -                        | 909          |
| Investment management and custodial fees               | 2,750                                 | -   | 25                       | 2,775        |
| Total decrease in assets                               | 45,872                                | -   | 25                       | 45,897       |
| Increase (decrease) in net assets                      | 183,581                               | (18,131)  | 1,521                    | 166,971      |
| Net assets available for benefits at beginning of year | 927,022                               | 18,131  | 8,139                    | 953,292      |
| Net assets available for benefits at end of year       | \$ 1,110,603                          | \$ -  | \$ 9,660                 | \$ 1,120,263 |

See accompanying notes to the financial statements



# THE CITY OF WINNIPEG WINNIPEG POLICE PENSION PLAN

## SCHEDULE 2

### SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

For the year ended December 31  
(unaudited)

|   | 2012                                  |   |                          |            |
|---|---------------------------------------|---|--------------------------|------------|
|   | (000's)                               | (000's)   | (000's)                  | (000's)    |
|   | Main Account-<br>General<br>Component | Main Account-<br>Contribution<br>Stabilization<br>Reserve | Plan Members'<br>Account | Total      |
| <b>INCREASE IN ASSETS</b>   |                                       |   |                          |            |
| Contributions   |                                       |   |                          |            |
| The City of Winnipeg  | \$ 17,129                             | \$ -  | \$ -                     | \$ 17,129  |
| Employees   | 11,367                                | -   | -                        | 11,367     |
| Reciprocal transfers from other plans   | 9                                     | -   | -                        | 9          |
|   | 28,505                                | -   | -                        | 28,505     |
| 4,196   |                                       | -   | -                        | 4,196      |
| Transfer from Contribution Stabilization Reserve (Note 1)                                       |                                       | (4,196)   | -                        | (4,196)    |
| Transfers to Main Account   | -                                     | 622   | 250                      | 29,542     |
| Investment income (Note 5)  | 28,670                                | 967   | 389                      | 45,908     |
| Current period change in fair value of investments  | 44,552                                |   |                          |            |
| Transfer from Contribution Stabilization Reserve -<br>Resolution of funding deficiency (Note 3) | 9,162                                 | (9,162)   | -                        | -          |
| Total increase (decrease) in assets   | 115,085                               | (11,769)  | 639                      | 103,955    |
| <b>DECREASE IN ASSETS</b>   |                                       |   |                          |            |
| Pension payments  | 39,470                                | -   | -                        | 39,470     |
| Lump sum benefits (Note 7)  | 2,769                                 | -   | -                        | 2,769      |
| Administrative expenses (Note 8)  | 989                                   | -   | -                        | 989        |
| Investment management and custodial fees  | 1,994                                 | 43  | 17                       | 2,054      |
| Total decrease in assets  | 45,222                                | 43  | 17                       | 45,282     |
| Decrease in net assets  | 69,863                                | (11,812)  | 622                      | 58,673     |
| Net assets available for benefits at beginning of year  | 857,159                               | 29,943  | 7,517                    | 894,619    |
| Net assets available for benefits at end of year  | \$ 927,022                            | \$ 18,131   | \$ 8,139                 | \$ 953,292 |

See accompanying notes to the financial statements

# THE CITY OF WINNIPEG WINNIPEG POLICE PENSION PLAN

## SCHEDULE 3

### SCHEDULE OF CHANGES IN SURPLUS (DEFICIT) BY ACCOUNT

For the years ended December 31  
(unaudited)

|   | 2013                                  |   |                          |                    |
|---|---------------------------------------|---|--------------------------|--------------------|
|   | (000's)                               | (000's)   | (000's)                  | (000's)            |
|   | Main Account-<br>General<br>Component | Main Account-<br>Contribution<br>Stabilization<br>Reserve | Plan Members'<br>Account | Total              |
| <b>(DEFICIT) SURPLUS, BEGINNING OF YEAR</b>                           | \$ (87,479)                           | \$ 18,131   | \$ 8,139                 | \$ (61,209)        |
| Increase (decrease) in net assets available for benefits for the year | 183,581                               | (18,131)  | 1,521                    | 166,971            |
| Net increase in accrued pension benefits for the year                 | (20,153)                              |   |                          | (20,153)           |
| <b>SURPLUS, END OF YEAR</b>   | <u>\$ 75,949</u>                      | <u>\$ -</u>   | <u>\$ 9,660</u>          | <u>\$ 85,609</u>   |
|   | 2012                                  |   |                          |                    |
|   | (000's)                               | (000's)   | (000's)                  | (000's)            |
|   | Main Account-<br>General<br>Component | Main Account-<br>Contribution<br>Stabilization<br>Reserve | Plan Members'<br>Account | Total              |
| <b>(DEFICIT) SURPLUS, BEGINNING OF YEAR</b>                           | \$ (76,615)                           | \$ 29,943   | \$ 7,517                 | \$ (39,155)        |
| Increase (decrease) in net assets available for benefits for the year | 69,863                                | (11,812)  | 622                      | 58,673             |
| Net increase in accrued pension benefits for the year                 | (80,727)                              | -   | -                        | (80,727)           |
| <b>(DEFICIT) SURPLUS, END OF YEAR</b>                                 | <u>\$ (87,479)</u>                    | <u>\$ 18,131</u>  | <u>\$ 8,139</u>          | <u>\$ (61,209)</u> |

See accompanying notes to the financial statements

# **THE CITY OF WINNIPEG**

## **WINNIPEG POLICE PENSION PLAN**

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended December 31, 2013*  
*(unaudited)*

#### **1. Description of Plan**

##### **a) General**

The Winnipeg Police Pension Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg police officers. All police officers are required to become members of the Plan at the commencement of their employment.

##### **b) Administration**

The Plan is administered by the Winnipeg Police Pension Board which is comprised of two voting members appointed by the Winnipeg Police Association, appointed on behalf of Police Officers who are Active Members; one voting member appointed by the Winnipeg Police Senior Officers' Association, appointed on behalf of the senior police officers who are Active Members; one voting member elected by the Non-Active Members and other beneficiaries under the Plan; and five voting members appointed by the City.

The Board also consists of a maximum of four non-voting members, one of whom may be appointed by each of the Winnipeg Police Association, the Winnipeg Police Senior Officers' Association, and the City of Winnipeg, respectively, and one of whom may be elected by the Non-Active Members or, if no election is held, appointed by the Non-Active Member Representative on behalf of the Non-Active Members.

The Plan is registered under the Pension Benefits Act of Manitoba. The Plan is a registered pension plan under the Income Tax Act, and is not subject to income taxes.

##### **c) Financial structure**

The Winnipeg Police Pension Plan is comprised of three Accounts, namely the Main Account (which has two components being the General Component and the Contribution Stabilization Reserve), the Plan Members' Account and the City Account.

##### **i) Main Account - General Component**

All benefits of the Pension Plan are paid from the Main Account - General Component.

Employees contribute 8% of earnings to the Main Account. If the Contribution Stabilization Reserve is sufficient to provide a transfer to fund the difference between the current service cost of benefits accrued during the year and matching employee and City contributions and to the extent provincial funding regulations permit such a transfer, then the City matches the employee contributions during the year.

If the Contribution Stabilization Reserve is insufficient to provide the above transfer or if provincial funding regulations restrict such a transfer, then the City contributes the balance of the current service cost of benefits accrued during the year, including 2% of earnings for post-retirement cost-of-living adjustments, in excess of the employees' contributions.



## **1. Description of Plan (continued)**

### **c) Financial structure (continued)**

#### **ii) Main Account - Contribution Stabilization Reserve**

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account - General Component, the portion of the current service cost of benefits that exceeds the employees' and City's contributions. In accordance with Provincial funding regulations the Contribution Stabilization Reserve can be used to reduce the City's contributions only to the extent of the balance in excess of 5% of the Plan's solvency liabilities. The balance of the Contribution Stabilization Reserve has been below this threshold since 2012.

#### **iii) Plan Members' Account**

In order to ensure that the Plan members will receive a benefit equal to the benefit received by the City through the contribution holidays that it took in 2001 and 2002, the Plan Members' Account was established effective January 1, 2003 with an initial balance equal to the amount of the City's contribution holidays adjusted for investment income up to December 31, 2002.

The Plan Members' Account will be credited with any share of future actuarial surpluses that are allocated to the Plan Members in accordance with the Plan.

#### **iv) City Account**

The financial structure provides for a City Account which will be credited with the share of future actuarial surpluses that are allocated to the City in accordance with the Plan. To date, no actuarial surplus has been credited to the City Account.

### **d) Retirement pensions**

The Plan provides for retirement at or after age 55 or following completion of 25 years of credited service. The Plan allows early retirement at age 50 or completion of at least 20 years of credited service subject to an early retirement pension reduction. The pension formula prior to age 65 is equal to 2% of the average earnings in the 60 consecutive months in which the earnings are highest ("Best Average Earnings") for each year of credited service. The pension formula after age 65 is equal to 1.4% of Best Average Canada Pension Plan earnings plus 2% of Best Average Non-Canada Pension Plan earnings for each year of credited service. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the Income Tax Act.

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Plan text, which level is currently 47.0% (2012 - 66.2%) of the percentage change in the Consumer Price Index for Canada.

### **e) Disability pensions**

A member, who has completed at least fifteen years of credited service, and who has become totally and permanently disabled may apply for a disability pension.

### **f) Survivor's benefits**

The Plan provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66 2/3% of the member's pension.

## **1. Description of Plan (continued)**

### **g) Termination benefits**

Upon application and subject to vesting and locking-in provisions, deferred pensions or equivalent lump sum benefits are payable when a member terminates employment with the City.

### **h) Variation in benefits**

The Plan provides that the rate of cost-of-living adjustment to pensions may be increased using funds available in the Plan Members' Account or may be reduced in the event of a funding deficiency.

## **2. Summary of Significant Accounting Policies**

### **a) Basis of presentation**

These financial statements are prepared in accordance with Canadian accounting standards for pension plans on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the City and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

These financial statements include the financial statements of the Plan and its wholly-owned subsidiary, 5332665 Manitoba Ltd., which was incorporated on July 14, 2006. The Plan accounts for its investment in its subsidiary on a non-consolidated basis and presents it at fair value. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the Plan.

### **b) Investments and investment income**

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions.

Publicly traded equity investments are valued using published market prices. For private equity and infrastructure investments, where quoted market prices are not available, various methods of valuation are used by the external managers to determine fair value including the use of: discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Real estate investments are valued based on the most recent valuations or appraisals of the underlying properties.

Fixed income investments are valued either using published bid prices or by applying valuation techniques that utilize observable market inputs.

Cash and short-term investments are recorded at cost, which, together with accrued interest income, approximates fair value.

Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

The Plan's investment income, current period change in fair value of investments and investment management and custodial fees are allocated between the Accounts and Reserve based on the average balance of each Account and Reserve during the year.

## **2. Summary of Significant Accounting Policies (continued)**

### **c) Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

### **d) Use of estimates**

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates. Items within the financial statements which require significant estimates and judgement include the pension obligation and the fair value of investments.

### **e) Accounting change**

In accordance with the Accounting Standards for Pension Plans, the Plan is applying International Financial Reporting Standard ("IFRS") 13, Fair Value Measurement, for first time in the current year for the measurement of its investment assets. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instruments for which other IFRSs and accounting standards require or permit fair value measurements and disclosures about fair value measurements.

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions. In some instances, the disclosure requirements in IFRS 13 are more extensive than those previously required by the Standards.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the new disclosure requirements set out in IFRS 13 in the comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Plan has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognized or disclosures made in the financial statements.

## **3. Obligations for Pension Benefits**

An actuarial valuation of the Plan was performed as of December 31, 2013 by Eckler Ltd. This valuation was used to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2013. For the comparative 2012 figures, the actuarial present value of accrued benefits at December 31, 2012 is based on the December 31, 2012 actuarial valuation performed by Mercer (Canada) Limited. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used included a valuation interest rate of 6.0% (2012 – 6.0%) per year, inflation of 2.0% (2012 – 2.0%) per year and general increases in pay of 3.25% (2012 – 3.25%) per year. The economic assumptions with respect to commuted values were revised, decreasing obligations for pension benefits by \$2,682,000. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience. The demographic assumptions for annual rates of mortality improvements were revised to utilize the Canadian Pensioners' Mortality Improvement Scale B, (CPM-B) increasing obligations for pension benefits by \$26,846,000.

### 3. *Obligations for Pension Benefits (continued)*

These assumptions were approved by the Winnipeg Police Pension Board for the purpose of preparing financial statements. The actuarial present value of accrued benefits was determined using the projected benefits method pro-rated on services.

The actuarial valuation as at December 31, 2013 disclosed a \$3,481,000 funding surplus to be allocated accordance with the Plan, by transferring \$18,000 to the City Account, by transferring \$1,731,500 from the Main Account - General Component to the Main Account - Contribution Stabilization Reserve and by reducing future cost-of-living adjustments from 47.0% to 47.8% of inflation, effective January 1, 2014.

The actuarial valuation as at December 31, 2012 disclosed a \$60,358,000 funding deficiency which was resolved in accordance with the Plan, by transferring \$18,131,000 from the Main Account - Contribution Stabilization Reserve to the Main Account - General Component and by reducing future cost-of-living adjustments from 66.2% to 47.0% of inflation, (with a corresponding reduction in obligations for pension benefits of \$42,227,000), effective January 1, 2013.

The actuarial valuation as at December 31, 2011 disclosed a \$18,324,000 funding deficiency which was resolved in accordance with the Plan, by transferring \$9,162,000 from the Main Account - Contribution Stabilization Reserve to the Main Account - General Component and by reducing future cost-of-living

The assets available to finance the Plan's accrued benefits are those allocated to the Main Account - General Component. In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets of the Main Account - General Component was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets for the Main Account - General Component in determining the estimated actuarial surplus or deficiency, before allocation of surplus or deficit resolution is as follows:

|  | <u>2013</u><br><u>(000's)</u> | <u>2012</u><br><u>(000's)</u> |
|--|-------------------------------|-------------------------------|
| Surplus (deficit) for financial statement reporting purposes   |                               |                               |
| Main Account - General Component   | \$ <b>75,949</b>              | \$ (87,479)                   |
| Fair value changes not reflected in actuarial value of assets  | <u><b>(72,468)</b></u>        | <u>27,121</u>                 |
| Surplus (deficit) for actuarial valuation purposes   |                               |                               |
| Main Account - General Component   | <b>3,481</b>                  | (60,358)                      |
| Add: special purpose reserves and accounts   |                               |                               |
| Main Account - Contribution Stabilization Reserve  | -                             | 18,131                        |
| Plan Members' Account  | <u><b>9,660</b></u>           | <u>8,139</u>                  |
| (Deficit) surplus for actuarial valuation purposes - including special purpose reserves and accounts, as estimated | <u><b>\$ 13,141</b></u>       | <u><b>\$ (34,088)</b></u>     |

A full actuarial valuation of the Program is being carried out as of December 31, 2013. Any actuarial surplus or funding deficiency disclosed in that valuation will be dealt with in accordance with the provisions of the Pension By-law.

The most recent actuarial valuation for funding purposes as at December 31, 2013 will be filed with the Manitoba Pension Commission and the Canada Revenue Agency. The valuation disclosed a solvency liability measured on a hypothetical Plan wind up basis of \$1,065,297,000 and a solvency surplus of \$10,780,000 as at December 31, 2013; however, the solvency assets, not including the amount secured by the existing letter of credit are less than the solvency liabilities by \$28,962,000.

### 3. *Obligations for Pension Benefits (continued)*

The Pension Benefits Regulation provides that an irrevocable letter of credit may be used to secure some or all of the special payments that would otherwise be required from the City of Winnipeg. The City of Winnipeg has informed the Winnipeg Police Pension Board that it will be arranging for renewal of the irrevocable letter of credit to be held by the Winnipeg Police Pension Board in the amount of \$28,962,000 together with any applicable interest as required under the Regulation, commencing in 2014. The new letter of credit is expected to take effect in October 2014 and be renewed annually thereafter until such time as the Plan no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the Regulation.

In 2013, the City of Winnipeg provided an irrevocable letter of credit from a chartered bank to the Winnipeg Police Pension Board to be held by the Winnipeg Police Pension Board in trust for the Plan in lieu of making special payments of \$3,563,000 per month together with any applicable interest as required under the Regulation, commencing in 2013. The letter of credit took effect from October 27, 2013 and as of December 31, 2013 the irrevocable letter of credit secured special payments that would otherwise be required from the City of Winnipeg in the amount of \$39,742,000.

### 4. *Management of Financial Risk*

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. The Plan seeks to minimize potential adverse effects of these risks on the Plan's performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plan's position and market events, by diversifying the investment portfolio within the constraints of the investment policy and objectives, and occasionally through the use of derivatives to hedge certain risk exposures. Significant risks that are relevant to the Plan are discussed below.

#### a) **Credit risk**

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan, and is concentrated in the Plan's investment in bonds and debentures and short-term deposits. At December 31, 2013, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled \$298,469,000 (2012 - \$305,820,000).

The Plan's concentration of credit risk as at December 31, 2013, related to bonds and debentures, is categorized amongst the following types of issuers:

| <b><u>Type of Issuer</u></b>                             | <b><u>2013<br/>Fair Value<br/>(000's)</u></b> | <b><u>2012<br/>Fair Value<br/>(000's)</u></b> |
|--|---|---|
| Government of Canada and Government of Canada guaranteed | \$ 62,414                                     | \$ 30,954                                     |
| Provincial and Provincial guaranteed                     | 71,531  | 190,222                                       |
| Canadian cities and municipalities                       | 4,266   | 1,747   |
| Corporations and other institutions                      | 103,085                                       | 59,732  |
|  | <b><u>\$ 241,296</u></b>                      | <b><u>\$ 282,655</u></b>                      |

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of \$41,374,000 at December 31, 2013 (2012 - \$22,459,000).

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

#### 4. Management of Financial Risk (continued)

##### a) Credit risk (continued)

As at December 31, bonds and debentures analyzed by credit rating are as follows:

| <b>Credit Rating</b> | <b>2013</b>                       |                                  | <b>2012</b>                       |                                  |
|----------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
|                      | <b>Percent of<br/>Total Bonds</b> | <b>Percent of<br/>Net Assets</b> | <b>Percent of<br/>Total Bonds</b> | <b>Percent of<br/>Net Assets</b> |
| AAA                  | 33.4                              | 7.2                              | 15.4                              | 4.6                              |
| AA                   | 28.7                              | 6.2                              | 76.2                              | 22.6                             |
| A                    | 27.9                              | 6.0                              | 6.8                               | 2.0                              |
| BBB                  | 8.7                               | 1.8                              | 1.1                               | 0.3                              |
| BB                   | 1.3                               | 0.3                              | 0.5                               | 0.2                              |
|                      | <b>100.0</b>                      | <b>21.5</b>                      | <b>100.0</b>                      | <b>29.7</b>                      |

The Plan participates in a securities lending program, managed by the Plan's custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the Plan's exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

##### b) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund the pensioner payroll costs and to fund investment commitments. The Plan primarily invests in securities that are traded in active markets and can be readily disposed. The Plan may invest in private equity, which is not traded in an organized market and may be illiquid, but only up to a maximum of 5% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures. The Plan may also invest in real estate, which is not traded in an organized market and may be illiquid, but only up to a maximum of 16% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures. Finally, the Plan may also invest in infrastructure, which is not traded in an organized market and may be illiquid, but only up to a maximum of 8% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures.

##### c) Interest rate risk

Interest rate risk is the risk that the fair value of the Plan's interest bearing investments will fluctuate due to changes in market interest rates. The Plan's exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The Plan's actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term real rate of return which may result in higher contribution rates or lower benefit levels.

The Plan has approximately 27% (2012 - 32%) of its assets invested in fixed income securities as at December 31, 2013. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

#### 4. Management of Financial Risk (continued)

##### c) Interest rate risk (continued)

The term to maturity and related fair values of investments in bonds and debentures held by the Plan at December 31, 2013 are as follows:

| <b><u>Term to Maturity</u></b> | <b><u>2013<br/>Fair Value<br/>(000's)</u></b> | <b><u>2012<br/>Fair Value<br/>(000's)</u></b> |
|--------------------------------|---|---|
| Less than one year             | \$ 4,143                                      | \$ 51,970                                     |
| One to five years              | 65,218  | 129,189                                       |
| Greater than five years        | 171,935                                       | 101,496                                       |
|                                | <b><u>\$ 241,296</u></b>                      | <b><u>\$ 282,655</u></b>                      |

As at December 31, 2013, had prevailing interest rates raised or lowered by 0.5% (2012 - 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately \$11,063,000 (2012 - \$5,441,000), approximately 1.0% of total net assets (2012 - 0.6%). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

##### d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the Plan's net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2013.

The table also illustrates the potential impact to the Plan's net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

|                | <b><u>2013</u></b>                           |  |  |  | <b><u>2012</u></b>                         |  |
|----------------|--|--|--|--|--|--|
|                | <b><u>Gross<br/>Exposure<br/>(000's)</u></b> | <b><u>Net<br/>Foreign<br/>Currency<br/>Hedge<br/>(000's)</u></b> | <b><u>Net<br/>Exposure<br/>(000's)</u></b> | <b><u>Impact<br/>on Net<br/>Assets<br/>(000's)</u></b> | <b><u>Net<br/>Exposure<br/>(000's)</u></b> | <b><u>Impact<br/>on Net<br/>Assets<br/>(000's)</u></b> |
| United States  | \$ 222,621                                   | \$ -   | \$ 222,621                                 | \$ 22,262  | \$ 178,689                                 | \$ 17,869  |
| Euro Countries | 53,382                                       | 17   | 53,365                                     | 5,337  | 41,817                                     | 4,182  |
| United Kingdom | 28,835                                       | 34   | 28,801                                     | 2,880  | 27,075                                     | 2,707  |
| Japan          | 16,435                                       | -  | 16,435                                     | 1,644  | 10,418                                     | 1,042  |
| Switzerland    | 10,771                                       | -  | 10,771                                     | 1,077  | 11,430                                     | 1,143  |
| Hong Kong      | 10,108                                       | -  | 10,108                                     | 1,011  | 7,430                                      | 743  |
| Sweden         | 9,717  | -  | 9,717                                      | 972  | 8,578                                      | 858  |
| China          | 4,884  | -  | 4,884                                      | 488  | 1,693                                      | 169  |
| Other          | 21,823                                       | -  | 21,823                                     | 2,182  | 23,481                                     | 2,348  |
|                | <b><u>\$ 378,576</u></b>                     | <b><u>\$ 51</u></b>  | <b><u>\$ 378,525</u></b>                   | <b><u>\$ 37,853</u></b>                                | <b><u>\$ 310,611</u></b>                   | <b><u>\$ 31,061</u></b>                                |

#### **4. Management of Financial Risk (continued)**

##### **e) Other price risk**

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plan's policy is to invest in a diversified portfolio of investments. As well, the Plan's Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For this Plan, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2013, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately \$104,327,000 (2012 - \$89,334,000), approximately 9.3% of total net assets (2012 - 9.4%). In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to valuation risk through its holdings of private equity and real estate investments, for which quoted market prices are not available. As at December 31, 2013, the estimated fair value of private equity investments is \$18,190,000 (2012 - \$15,455,000), approximately 1.6% of total net assets (2012 - 1.6%), and the related change in fair value of investments recognized for the year ended December 31, 2013 is \$4,811,000 (2012 - \$2,641,000). As at December 31, 2013, the estimated fair value of real estate investments is \$83,810,000 (2012 - \$37,968,000), approximately 7.5% of total net assets (2012 - 4.0%), and the related change in fair value of investments recognized for the year ended December 31, 2013 is \$5,914,000 (2012 - \$2,397,000).

The Plan also has exposure to valuation risk through its holdings of infrastructure investments, for which quoted market prices are not available. In 2013, the Plan became a client of OMERS Investment Management, and has made a payment of \$25,850,000 in a Contractual Return Arrangement. The Contractual Return Arrangement provides the Plan with the annual rate of return (which may be positive or negative) based on the total investment return reported in the OMERS Annual Report for the assets and related liabilities allocable to the OMERS Primary Pension Plan fund that are directly or indirectly owned by OMERS Administration Corporation ("OAC") and managed by Borealis Infrastructure (the "Borealis Assets"). Under this arrangement the Plan is the sole limited partner in an Ontario limited partnership (OIM B4 2013 L.P.), and it has entered into a derivative contract with that limited partnership, which provides the return described above each year on the outstanding value on the contract. The arrangement provides for annual cash distributions to the Plan to the extent that cash distributions are received by OAC in respect of the operations of any investment forming part of the Borealis Assets. In addition, further cash distributions may be made under the arrangement, to the extent that cash distributions are received by OAC and distributed to the partnership in respect of the full or partial disposition of any investment forming part of the Borealis

Assets. As at December 31, 2013, the estimated fair value of the infrastructure investments is \$26,160,000 (2012 - \$Nil), approximately 2.3% of total net assets (2012 - Nil), and the related change in fair value of investments recognized for the year ended December 31, 2013 is \$310,000 (2012 - \$Nil).



#### 4. Management of Financial Risk (continued)

##### f) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2013 and December 31, 2012, classified using the fair value hierarchy described above:

|                              | <b>Level 1</b>    | <b>Level 2</b>    | <b>Level 3</b>    | <b>2013 Total<br/>Investment<br/>Assets at<br/>Fair Value</b> |
|------------------------------|-------------------|-------------------|-------------------|---|
|                              | <b>(000's)</b>    | <b>(000's)</b>    | <b>(000's)</b>    | <b>(000's)</b>  |
| Bonds and debentures         | \$ -              | 241,296           | -                 | \$ 241,296  |
| Canadian equities            | 328,195           | -                 | -                 | 328,195   |
| Foreign equities             | 364,358           | 2,960             | -                 | 367,318   |
| Cash and short-term deposits | 49,293            | 7,880             | -                 | 57,173  |
| Private equities             | -                 | -                 | 18,190            | 18,190  |
| Real estate                  | -                 | -                 | 83,810            | 83,810  |
| Infrastructure               | -                 | -                 | 26,160            | 26,160  |
|                              | <u>\$ 741,846</u> | <u>\$ 252,136</u> | <u>\$ 128,160</u> | <u>\$ 1,122,142</u>   |
|                              |                   |                   |                   | 2012 Total<br>Investment<br>Assets at<br>Fair Value           |
|                              | <b>Level 1</b>    | <b>Level 2</b>    | <b>Level 3</b>    | <b>(000's)</b>  |
|                              | <b>(000's)</b>    | <b>(000's)</b>    | <b>(000's)</b>    |   |
| Bonds and debentures         | \$ 1,777          | \$ 280,878        | \$ -              | \$ 282,655  |
| Canadian equities            | 292,885           | 2,799             | -                 | 295,684   |
| Foreign equities             | 298,654           | 1,219             | -                 | 299,873   |
| Cash and short-term deposits | 22,506            | -                 | -                 | 22,506  |
| Private equities             | -                 | -                 | 15,455            | 15,455  |
| Real estate                  | -                 | -                 | 37,968            | 37,968  |
|                              | <u>\$ 615,822</u> | <u>\$ 284,896</u> | <u>\$ 53,423</u>  | <u>\$ 954,141</u>   |

During the year, there have been no significant transfer of amounts between Level 1 and Level 2.

#### 4. Management of Financial Risk (continued)

##### f) Fair value hierarchy (continued)

The following table reconciles the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

|  | <b>2013</b><br><b>(000's)</b> | <b>2012</b><br><b>(000's)</b> |
|--|-------------------------------|-------------------------------|
| <b><u>Private Equities</u></b>             |                               |                               |
| Fair value, beginning of year              | \$ 15,455                     | \$ 15,024                     |
| Gains recognized in increase in net assets | 4,811                         | 2,641                         |
| Purchases                                  | 750                           | 1,217                         |
| Sales                                      | (2,826)                       | (3,427)                       |
|  | <b><u>\$ 18,190</u></b>       | <b><u>\$ 15,455</u></b>       |
|  | <b>2013</b><br><b>(000's)</b> | <b>2012</b><br><b>(000's)</b> |
| <b><u>Real Estate</u></b>                  |                               |                               |
| Fair value, beginning of year              | \$ 37,968                     | \$ 3,885                      |
| Gains recognized in increase in net assets | 5,914                         | 2,397                         |
| Purchases                                  | 40,574                        | 31,686                        |
| Sales                                      | (646)                         | -                             |
|  | <b><u>\$ 83,810</u></b>       | <b><u>\$ 37,968</u></b>       |
|  | <b>2013</b><br><b>(000's)</b> | <b>2012</b><br><b>(000's)</b> |
| <b><u>Infrastuture</u></b>                 |                               |                               |
| Fair value, beginning of year              | \$ -                          | \$ -                          |
| Gains recognized in increase in net assets | 310                           | -                             |
| Purchases                                  | 25,850                        | -                             |
|  | <b><u>\$ 26,160</u></b>       | <b><u>\$ -</u></b>            |

Section 3.29 of the Pension Benefits Act Regulations requires disclosure of each investment asset that has a fair value greater than one percent of the fair value of the investment assets of the Fund. As at December 31, 2013, the Fund held the following investments that met this classification:

|   |                               |
|---|-------------------------------|
| <b><u>Bonds and debentures</u></b>            | <b>2013</b><br><b>(000's)</b> |
| TD Emerald Long Bond Broad Market Pooled Fund | \$ 95,056                     |
| TD Lancaster Fixed Income Fund II             | 74,317                        |
| Fiera Active Fixed Income Fund                | 71,923                        |
|   | <b>2013</b><br><b>(000's)</b> |
| <b><u>Canadian equities</u></b>               |                               |
| TD Emerald Canadian Equity Index Fund         | \$ 103,603                    |
| Bank of Nova Scotia                           | 14,345                        |
| Royal Bank of Canada                          | 13,271                        |
| Toronto-Dominion Bank                         | 13,233                        |

#### 4. *Management of Financial Risk (continued)*

##### f) *Fair value hierarchy (continued)*

###### Foreign equities

|  |               |
|--|---------------|
| State Street S&P 500 Index Common Trust Fund | <b>83,642</b> |
| Templeton Global Smaller Companies Fund      | <b>19,801</b> |

###### Cash and short term deposits

|                                     |               |
|-------------------------------------|---------------|
| City of Winnipeg short term deposit | <b>41,374</b> |
|-------------------------------------|---------------|

###### Private equities

|                               |               |
|-------------------------------|---------------|
| 5332665 MB Ltd. common shares | <b>17,005</b> |
|-------------------------------|---------------|

###### Real Estate

|   |               |
|---|---------------|
| Greystone Real Estate Fund Inc.                   | <b>45,190</b> |
| Bentall Kennedy Prime Canadian Property Fund Ltd. | <b>38,620</b> |

###### Infrastructure

|                  |               |
|------------------|---------------|
| OIM B4 2013 L.P. | <b>26,160</b> |
|------------------|---------------|

#### 5. *Investment Income*

|   | <u>2013</u><br><u>(000's)</u> | <u>2012</u><br><u>(000's)</u> |
|---|-------------------------------|-------------------------------|
| Bonds and debentures                              | \$ 11,723                     | \$ 16,360                     |
| Canadian equities                                 | 8,383                         | 7,004                         |
| Foreign equities                                  | 5,607                         | 5,535                         |
| Cash and short-term deposits                      | 619                           | 643                           |
| Real Estate                                       | 646                           | -                             |
|   | <u>\$ 26,978</u>              | <u>\$ 29,542</u>              |
| Allocated to:                                     |                               |                               |
| Main Account - General Component                  | \$ 26,746                     | \$ 28,670                     |
| Main Account - Contribution Stabilization Reserve | -                             | 622                           |
| Plan Members' Account                             | 232                           | 250                           |
|   | <u>\$ 26,978</u>              | <u>\$ 29,542</u>              |

#### 6. *Investment Transaction Costs*

During 2013, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of \$273,000 (2012 - \$258,000). Investment transaction costs are included in the current period change in fair value of investments.

## 7. *Lump Sum Benefits*

|                                    | <u>2013</u><br><u>(000's)</u> | <u>2012</u><br><u>(000's)</u> |
|------------------------------------|-------------------------------|-------------------------------|
| Termination benefits               | \$ 97                         | \$ 172                        |
| Death benefits                     | -                             | 1,397                         |
| Payments on relationship breakdown | 367                           | 1,177                         |
| Other                              | 89                            | 23                            |
|                                    | <u>\$ 553</u>                 | <u>\$ 2,769</u>               |

## 8. *Administrative Expenses*

|  | <u>2013</u><br><u>(000's)</u> | <u>2012</u><br><u>(000's)</u> |
|--|-------------------------------|-------------------------------|
| Winnipeg Civic Employees' Benefits Program | \$ 610                        | \$ 603                        |
| Actuarial fees                             | 248                           | 340                           |
| Legal fees                                 | 40                            | 33                            |
| General and administrative expenses        | 11                            | 13                            |
|  | <u>\$ 909</u>                 | <u>\$ 989</u>                 |

## 9. *Commitments*

The Plan's wholly-owned subsidiary, 5332665 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed \$20,000,000. Commitments will be funded over the next several years. As at December 31, 2013, \$16,546,000 had been funded.

## 10. *Comparative Figures*

Certain of the comparative figures have been reclassified to conform with the current year's presentation.



# THE CITY OF WINNIPEG

## CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN

### STATEMENT OF FINANCIAL POSITION

As at December 31

(Unaudited)

|   | 2013<br>(000's)  | 2012<br>(000's) |
|---|------------------|-----------------|
| <b>ASSETS</b>                                       |                  |                 |
| Investments, at fair value                          |                  |                 |
| Bonds and debentures                                | \$ 10,291        | \$ 56,710       |
| Canadian equities                                   | -                | 43,996          |
| Short-term deposits                                 | 128,069          | 30,475          |
|   | <b>138,360</b>   | 131,181         |
| Accrued interest                                    | 96               | 223             |
| Employers' contributions receivable                 | 1                |                 |
| Accounts receivable                                 | 95               | 69              |
| Due from The Winnipeg Civic Employees' Pension Plan | 4                | 3               |
| Total Assets  | <b>138,556</b>   | 131,476         |
| <b>LIABILITIES</b>                                  |                  |                 |
| Accounts payable                                    | 464              | 361             |
| Total Liabilities                                   | <b>464</b>       | 361             |
| <b>NET ASSETS (Note 4)</b>                          | <b>138,092</b>   | 131,115         |
| <b>BENEFIT OBLIGATIONS</b>                          |                  |                 |
| Civic Employees' (Note 5)                           | 74,307           | 94,803          |
| Police Employees' (Note 6)                          | 18,434           | 24,534          |
|   | <b>92,741</b>    | 119,337         |
| <b>SURPLUS</b>                                      | <b>\$ 45,351</b> | \$ 11,778       |
| <b>SURPLUS (DEFICIT) COMPRISED OF:</b>              |                  |                 |
| Civic Employees' (Note 5)                           | \$ 38,562        | \$ 12,843       |
| Police Employees' (Note 6)                          | 6,789            | (1,065)         |
|   | <b>\$ 45,351</b> | \$ 11,778       |

See accompanying notes to the financial statements

# THE CITY OF WINNIPEG

## CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

### STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

(Unaudited)

|  | <b>2013</b>       | 2012       |
|--|-------------------|------------|
|  | <b>(000's)</b>    | (000's)    |
| <b>INCREASE IN ASSETS</b>                          |                   |            |
| Contributions                                      |                   |            |
| City of Winnipeg and participating employers       | \$ 1,942          | \$ 1,165   |
| Employees - basic                                  | 1,950             | 1,166      |
| Employees - optional                               | 448               | 378        |
| Pensioners   | 345               | 206        |
|  | <b>4,685</b>      | 2,915      |
| Investment income (Note 8)                         | 1,872             | 2,701      |
| Current period change in fair value of investments | 2,770             | 2,041      |
|  | <b>9,327</b>      | 7,657      |
| <b>DECREASE IN ASSETS</b>                          |                   |            |
| Administration                                     | 167               | 162        |
| Actuarial fees                                     | 82                | 28         |
| Legal fees   | 43                | 13         |
| Benefit payments                                   | 3,580             | 4,057      |
| Investment management fees                         | 22                | 27         |
| Claims administration and taxes                    | 210               | 230        |
|  | <b>4,104</b>      | 4,517      |
| Total decrease in assets                           | <b>5,223</b>      | 3,140      |
| Increase in net assets                             | <b>107,646</b>    | 104,506    |
| Net assets at beginning of year                    | <b>\$ 112,869</b> | \$ 107,646 |
| Net assets at end of year                          | <b>\$ 112,869</b> | \$ 107,646 |

See accompanying notes to the financial statements

# THE CITY OF WINNIPEG

## CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

### STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the years ended December 31

(Unaudited)

|  | 2013<br>(000's)  | 2012<br>(000's)  |
|--|------------------|------------------|
| <b>ACCRUED BENEFITS, BEGINNING OF YEAR</b>           | <b>\$ 94,803</b> | <b>\$ 89,083</b> |
| <b>INCREASE IN ACCRUED BENEFITS</b>                  |                  |                  |
| Interest accrued on benefits                         | 3,628            | 3,490            |
| Benefits accrued                                     | 3,691            | 3,532            |
| Changes in actuarial assumptions                     | -                | 1,397            |
| Total increase in accrued benefits                   | 7,319            | 8,419            |
| <b>DECREASE IN ACCRUED BENEFITS</b>                  |                  |                  |
| Benefits paid  | 2,335            | 2,699            |
| Experience gains and losses and other factors        | 6,134            | -                |
|  | 19,346           | -                |
| Total decrease in accrued benefits                   | 27,815           | 2,699            |
| <b>NET INCREASE IN ACCRUED BENEFITS FOR THE YEAR</b> | <b>(20,496)</b>  | <b>5,720</b>     |
| <b>ACCRUED BENEFITS, END OF YEAR</b>                 | <b>\$ 74,307</b> | <b>\$ 94,803</b> |

### STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

For the years ended December 31

(Unaudited)

|  | 2013<br>(000's)  | 2012<br>(000's)  |
|--|------------------|------------------|
| <b>SURPLUS, BEGINNING OF YEAR</b>                        | <b>\$ 12,843</b> | <b>\$ 15,423</b> |
| Increase in net assets for the year                      | 5,223            | 3,140            |
| Net decrease (increase) in accrued benefits for the year | 20,496           | (5,720)          |
| <b>SURPLUS, END OF YEAR</b>                              | <b>\$ 38,562</b> | <b>\$ 12,843</b> |

See accompanying notes to the financial statements



# THE CITY OF WINNIPEG

## POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

### STATEMENT OF CHANGES IN NET ASSETS

*For the years ended December 31*

*(Unaudited)*

|  | <b>2013</b><br><b>(000's)</b> | 2012<br><b>(000's)</b> |
|--|-------------------------------|------------------------|
| <b>INCREASE IN ASSETS</b>                          |                               |                        |
| Contributions                                      |                               |                        |
| City of Winnipeg                                   | \$ 556                        | \$ 282                 |
| Employees - basic                                  | 558                           | 283                    |
| Employees - optional                               | 80                            | 67                     |
| Pensioners   | 107                           | 51                     |
|  | <b>1,301</b>                  | 683                    |
| Investment income (Note 8)                         | 406                           | 590                    |
| Current period change in fair value of investments | 604                           | 447                    |
|  | <b>2,311</b>                  | 1,720                  |
| <b>DECREASE IN ASSETS</b>                          |                               |                        |
| Administration                                     | 36                            | 35                     |
| Actuarial fees                                     | 23                            | 20                     |
| Legal fees   | 1                             | 3                      |
| Benefit payments                                   | 455                           | 1,004                  |
| Investment management fees                         | 5                             | 6                      |
| Claims administration and taxes                    | 37                            | 42                     |
|  | <b>557</b>                    | 1,110                  |
| Total decrease in assets                           | <b>557</b>                    | 1,110                  |
| Increase in net assets                             | <b>1,754</b>                  | 610                    |
| Net assets at beginning of year                    | <b>23,469</b>                 | 22,859                 |
| Net assets at end of year                          | <b>\$ 25,223</b>              | \$ 23,469              |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG

## POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

### STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the years ended December 31

(Unaudited)

|   | <u>2013</u><br><u>(000's)</u> | <u>2012</u><br><u>(000's)</u> |
|---|-------------------------------|-------------------------------|
| <b>ACCRUED BENEFITS, BEGINNING OF YEAR</b>                      | <b>\$ 24,534</b>              | <b>\$ 22,497</b>              |
| <b>INCREASE IN ACCRUED BENEFITS</b>                             |                               |                               |
| Interest accrued on benefits                                    | 944                           | 891                           |
| Benefits accrued  | 1,122                         | 1,132                         |
| Changes in actuarial assumptions                                | -                             | 473                           |
|   | <u>2,066</u>                  | <u>2,496</u>                  |
| <b>DECREASE IN ACCRUED BENEFITS</b>                             |                               |                               |
| Benefits paid   | 481                           | 459                           |
| Experience gains and losses and other factors                   | 2,223                         | -                             |
| Change in actuarial assumptions                                 | 5,462                         | -                             |
|   | <u>8,166</u>                  | <u>459</u>                    |
| <b>NET (DECREASE) INCREASE IN ACCRUED BENEFITS FOR THE YEAR</b> | <b>(6,100)</b>                | <b>2,037</b>                  |
| <b>ACCRUED BENEFITS, END OF YEAR</b>                            | <b>\$ 18,434</b>              | <b>\$ 24,534</b>              |

### STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

For the years ended December 31

(Unaudited)

|  | <u>2013</u><br><u>(000's)</u> | <u>2012</u><br><u>(000's)</u> |
|--|-------------------------------|-------------------------------|
| <b>(DEFICIT) SURPLUS, BEGINNING OF YEAR</b>              | <b>\$ (1,065)</b>             | <b>\$ 362</b>                 |
| Increase in net assets for the year                      | 1,754                         | 610                           |
| Net decrease (increase) in accrued benefits for the year | 6,100                         | (2,037)                       |
| <b>(DEFICIT) SURPLUS, END OF YEAR</b>                    | <b>\$ 6,789</b>               | <b>\$ (1,065)</b>             |

See accompanying notes to the financial statements

# **THE CITY OF WINNIPEG**

## **CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN**

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended December 31, 2013*

*(Unaudited)*

#### **1. Description of Plan**

The City of Winnipeg Employees' Group Life Insurance Plan is comprised of two plans, the Civic Employees' Group Life Insurance Plan for employees of the City of Winnipeg, other than police officers, and certain other employers which participate in the Plan and the Police Employees' Group Life Insurance Plan for police officers of the City.

##### **a) Civic Employees' Group Life Insurance Plan**

All employees are eligible to join the Plan commencing on their date of employment. All new members of The Winnipeg Civic Employees' Pension Plan must become members of the group life insurance plan. Plan members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of the basic life insurance coverage until retirement. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Plan is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

##### **b) Police Employees' Group Life Insurance Plan**

All police officers are required to become members of the Plan commencing on their date of employment. Plan members are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Winnipeg Police Pension Board is responsible for the administration of the Plan. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

## **2. *Summary of Significant Accounting Policies***

### **a) Basis of presentation**

These financial statements are prepared in accordance with Canadian accounting standards for pension plans and other benefit plans on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plans for the fiscal period.

### **b) Investments and investment income**

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. The fixed income investments are valued either using published market prices or by applying valuation techniques that utilize observable market inputs. The equity investments are valued using published market prices. Short-term deposits are recorded at costs, which together with accrued interest income, approximates fair value. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

### **c) Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

### **d) Use of estimates**

The preparation of financial statements in accordance with Canadian accounting standards for pension plans and other benefit plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates.

## **3. *Accounting Change***

In accordance with the Accounting Standards for Pension Plans, the Plan is applying International Financial Reporting Standard (“IFRS”) 13, Fair Value Measurement, for the first time in the current year for the measurement of its investment assets. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instruments for which other IFRSs and accounting standards require or permit fair value measurements and disclosures about fair value measurements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. In some instances, the disclosure requirements in IFRS 13 are more extensive than those previously required by the Standards.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the new disclosure requirements set out in IFRS 13 in the comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Plan has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognized or disclosures made in the financial statements.

#### 4. *Net Assets*

The Civic and Police Employees' Group Life Insurance Plans' net assets represent reserves that are available to finance the portion of the post-retirement insurance expected to be provided in the future to the members of the Plans that are not financed by retiree contributions. The reserves are also available to finance the related future insurer charges and Plan administration costs.

#### 5. *Obligation for Post-Retirement Basic Life Insurance Benefits – Civic Employees' Group Life Insurance Plan*

An actuarial valuation of the Civic Employees' Group Life Insurance Plan was performed as of December 31, 2013 by Eckler Ltd. This valuation was used to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Statement of Financial Position as at December 31, 2013. For comparative 2012 figures, the actuarial present value of accrued post-retirement basic life insurance benefits at December 31, 2012 is based on the extrapolation of the results of the December 31, 2010 actuarial valuation performed by Mercer (Canada) Limited. The assumptions used were approved by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing the financial statements included a valuation interest rate of 4.30% (2012 Extrapolation - 3.80%) per year and general increases in pay of 3.50% (2012 Extrapolation - 3.50%) per year. The change in the valuation interest rate from 3.80% to 4.30% decreased the obligation for post-retirement basic life insurance benefits by \$7,169,000. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. Revising the mortality assumptions, including assuming mortality improvements, decreased the obligation for post-retirement basic life insurance benefits by \$9,751,000. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2013 disclosed an actuarial surplus of \$ 33,342,000 (2010 - \$26,886,000) and a contingency reserve in the amount of \$7,431,000 (2010 - \$7,481,000).

In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets of the Civic Employees' Group Life Insurance Plan in determining the estimated actuarial surplus or deficiency is as follows:

|   | <b>2013</b><br><b>(000's)</b> | <b>2012</b><br><b>(000's)</b> |
|---|-------------------------------|-------------------------------|
| Surplus for financial statement reporting purposes            | \$ <b>38,562</b>              | \$ 12,843                     |
| Fair value changes not reflected in actuarial value of assets | <b>2,211</b>                  | 3,695                         |
| Surplus for actuarial valuation purposes, as estimated        | <b>\$ 40,773</b>              | <b>\$ 16,538</b>              |

## **6. *Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan***

An actuarial valuation of the Police Employees' Group Life Insurance Plan was performed as of December 31, 2013 by Eckler Ltd. This valuation was used to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Statement of Financial Position as at December 31, 2013. For the comparative 2012 figures, the actuarial present value of the accrued post-retirement basic life insurance benefits at December 31, 2013 is based on the extrapolation of the results of the December 31, 2010 actuarial valuation performed by Mercer (Canada) Limited. The assumptions used were approved by the Winnipeg Police Pension Board. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing the financial statements included a valuation interest rate of 4.30% (2012 Extrapolation -3.80%) per year and general increases in pay of 3.25% (2012 Extrapolation - 3.50%) per year. The change in valuation interest rate from 3.80% to 4.30% decreased the obligation for post-retirement basic life insurance benefits by \$2,273,000. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. Revising the mortality assumptions, including assuming mortality improvements, decreased the obligations for post-retirement basic life insurance benefits by \$3,015,000. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2013 disclosed an actuarial surplus of \$5,436,000 (2010 - \$3,710,000) and a contingency reserve in the amount of \$1,843,000 (2010 - \$1,819,000).

In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets of the Police Employees' Group Life Insurance Plan in determining the estimated actuarial surplus or deficiency is as follows:

|  | <u>2013</u><br><u>(000's)</u> | <u>2012</u><br><u>(000's)</u> |
|--|-------------------------------|-------------------------------|
| Surplus (deficit) for financial statement reporting purposes     | \$ 6,789                      | \$ (1,065)                    |
| Fair value changes not reflected in actuarial value of assets    | <u>490</u>                    | <u>803</u>                    |
| Surplus (deficit) for actuarial valuation purposes, as estimated | <u><u>\$ 7,279</u></u>        | <u><u>\$ (262)</u></u>        |

## **7. *Management of Financial Risk***

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. The Plan seeks to minimize potential adverse effects of these risks on the Plan's performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plan's position and market events and, by diversifying the investment portfolio within the constraints of the investment policy and objectives. Significant risks that are relevant to the Plan are discussed below.

### **a) Credit risk**

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan, and is concentrated in the Plan's investment in bonds and debentures and short-term deposits. At December 31, 2013, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled \$138,456,000 (2012 - \$87,408,000).

## 7. *Management of Financial Risk (continued)*

### a) **Credit risk (continued)**

The Plan's concentration of credit risk as at December 31, 2013, related to bonds and debentures, is categorized amongst the following types of issuers:

| <b><u>Type of Issuer</u></b>                             | <b><u>2013<br/>Fair Value<br/>(000's)</u></b> | <b><u>2012<br/>Fair Value<br/>(000's)</u></b> |
|--|---|---|
| Government of Canada and Government of Canada guaranteed | \$ 764  | \$ 31,402                                     |
| Provincial and Provincial guaranteed                     | 2,089   | 4,717   |
| Canadian cities and municipalities                       | 1,756   | 6,133   |
| Corporations and other institutions                      | 5,682   | 14,458  |
|  | <b>\$ 10,291</b>                              | <b>\$ 56,710</b>                              |

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of \$125,936,000 (2012 - \$29,362,000) at December 31, 2013.

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process. All bond transactions are settled upon delivery using licensed brokers. The risk of default on settlement is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

| <b><u>Credit Rating</u></b> | <b><u>2013</u></b>                       |   | <b><u>2012</u></b>                       |   |
|-----------------------------|--|---|--|---|
|                             | <b><u>Percent of<br/>Total Bonds</u></b> | <b><u>Percent of<br/>Net Assets</u></b> | <b><u>Percent of<br/>Total Bonds</u></b> | <b><u>Percent of<br/>Net Assets</u></b> |
| AAA                         | 19.3                                     | 41.4                                    | 70.3                                     | 30.4                                    |
| AA                          | 60.6                                     | 4.5                                     | 21.5                                     | 9.3                                     |
| A                           | 8.6                                      | 0.7                                     | 3.8                                      | 1.7                                     |
| BBB                         | 2.6                                      | 0.2                                     | 0.5                                      | 0.2                                     |
| BB                          | 8.9                                      | 0.7                                     | 3.9                                      | 1.7                                     |
|                             | <b>100.0</b>                             | <b>47.5</b>                             | <b>100.0</b>                             | <b>43.3</b>                             |

The Plan participates in a securities lending program, managed by the Plan's custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the Plan's exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

### b) **Liquidity risk**

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund benefit payments and to fund investment commitments. The Plan invests solely in securities that are traded in active markets and can be readily disposed.

## 7. *Management of Financial Risk (continued)*

### c) **Interest rate risk**

Interest rate risk is the risk that the fair value of the Plan's interest bearing investments will fluctuate due to changes in market interest rates. The Plan's exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The Plan's actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contributions rates required to meet the Plan's obligations.

The Plan has approximately 100% (2012 - 66%) of its assets invested in fixed income securities as at December 31, 2013. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related fair values of investments in bonds and debentures held by the Plan at December 31, 2013 are as follows:

| <b><u>Term to Maturity</u></b> | <b>2013<br/>Fair Value<br/>(000's)</b> | <b>2012<br/>Fair Value<br/>(000's)</b> |
|--------------------------------|--|--|
| Less than one year             | \$ 4,324                               | \$ 27,667                              |
| One to five years              | 5,169                                  | 9,154                                  |
| Greater than five years        | 798                                    | 19,889                                 |
|                                | <b>\$ 10,291</b>                       | <b>\$ 56,710</b>                       |

As at December 31, 2013, had prevailing interest rates raised or lowered by 0.5% (2012 - 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately \$85,000 (2012 - \$888,000), approximately 0.1% of total net assets (2012 - 0.7%). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

### d) **Other price risk**

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plan's policy is to invest in a diversified portfolio of investments. As well, the Plan's Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.



## 7. Management of Financial Risk (continued)

### e) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2013 and December 31, 2012, classified using the fair value hierarchy described above:

|                              | Level 1<br>(000's) | Level 2<br>(000's) | Level 3<br>(000's) | 2013 Total<br>Investment<br>Assets at<br>Fair Value<br>(000's) |
|------------------------------|--------------------|--------------------|--------------------|--|
| Bonds and debentures         | \$ 262             | \$ 10,029          | \$                 | \$ 10,291  |
| Canadian equities            |                    |                    |                    | -  |
| Cash and short-term deposits | 128,069            | 138,360            |                    | 266,429  |
|                              | <u>\$ 128,331</u>  | <u>\$ 148,389</u>  | <u>\$ -</u>        | <u>\$ 276,720</u>  |

### f) Fair value hierarchy (continued)

|                              | Level 1<br>(000's) | Level 2<br>(000's) | Level 3<br>(000's) | 2012 Total<br>Investment<br>Assets at<br>Fair Value<br>(000's) |
|------------------------------|--------------------|--------------------|--------------------|--|
| Bonds and debentures         | \$ 254             | \$ 56,456          | \$ -               | \$ 56,710  |
| Canadian equities            | 43,996             | -                  | -                  | 43,996   |
| Cash and short-term deposits | 30,475             | -                  | -                  | 30,475   |
|                              | <u>\$ 74,725</u>   | <u>\$ 56,456</u>   | <u>\$ -</u>        | <u>\$ 131,181</u>  |

During the year, there has been no significant transfer of amounts between Level 1 and Level 2.

## 8. *Investment Income*

|                              | <b>2013</b><br><b>(000's)</b> | <b>2012</b><br><b>(000's)</b> |
|------------------------------|-------------------------------|-------------------------------|
| Bonds and debentures         | \$ 1,804                      | \$ 1,919                      |
| Canadian equities            | 51                            | 1,077                         |
| Foreign equities             | -                             | 25                            |
| Cash and short-term deposits | 423                           | 270                           |
|                              | <b>\$ 2,278</b>               | <b>\$ 3,291</b>               |
| Allocated to:                |                               |                               |
| Civic Employees'             | \$ 1,872                      | \$ 2,701                      |
| Police Employees'            | 406                           | 590                           |
|                              | <b>\$ 2,278</b>               | <b>\$ 3,291</b>               |

## 9. *Investment Transaction Costs*

During 2013, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of \$7,000 (2012 - \$50,000). Investment transaction costs are included in the current period change in market value of investments.

## 10. *Income Tax Status of the Plans*

On February 28, 2013, the Canada Revenue Agency (CRA) verbally informed the City of Winnipeg that, in its view, the assets held in the Plans constituted assets that were being held in trust funds and should be reported for income tax purposes as such. CRA further informed that it was prepared to accept the trusts commencing their income tax reporting on a prospective basis starting with the 2013 year, such that years prior to 2013 would not need to be reported. On November 26, 2013, CRA informed the City of Winnipeg in writing that it has extended this administrative relief to December 31, 2013. The City of Winnipeg is continuing discussions with CRA to either maintain the tax-exempt status of the Plans or restructure the Plans so as to minimize or eliminate future liabilities for income tax.



# THE CITY OF WINNIPEG

## TABLE OF FINANCIAL STATISTICS AND SELECTED RATIOS

### FIVE-YEAR REVIEW

*As at December 31*

*("\$" amounts in thousands of dollars)*

*(unaudited)*

|   | <b>2013</b>         | 2012      | 2011      | 2010      | 2009      |
|---|---------------------|-----------|-----------|-----------|-----------|
| Population (Statistics Canada)                    | <b>699,300</b>      | 689,300   | 677,800   | 669,400   | 663,000   |
| Consolidated debt (1)                             | <b>\$ 995,633</b>   | 1,057,198 | 800,928   | 715,089   | 678,517   |
| Net tax-supported debt (2)                        | <b>\$ 554,127</b>   | 527,602   | 312,098   | 235,853   | 204,816   |
| Debt per capita:                                  |                     |           |           |           |           |
| Consolidated (dollars)                            | <b>\$ 1,424</b>     | 1,534     | 1,182     | 1,068     | 1,023     |
| Net tax-supported (dollars)                       | <b>\$ 792</b>       | 765       | 460       | 352       | 309       |
| Non-portioned taxable assessments (millions) (3)  | <b>\$ 62,919</b>    | 64,293    | 56,287    | 55,648    | 32,420    |
| Debt as a % of non-portioned taxable assessments  |                     |           |           |           |           |
| Consolidated                                      | <b>1.6%</b>         | 1.6%      | 1.4%      | 1.3%      | 2.1%      |
| Net tax-supported                                 | <b>0.9%</b>         | 0.8%      | 0.6%      | 0.4%      | 0.6%      |
| Consolidated revenues (4)                         | <b>\$ 1,619,258</b> | 1,497,141 | 1,469,610 | 1,353,856 | 1,343,648 |
| Consolidated debt as a % of consolidated revenues | <b>61.5%</b>        | 70.6%     | 54.5%     | 52.8%     | 50.5%     |

#### Notes:

- (1) Consolidated debt is gross debt outstanding, including premiums and discounts, for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and wholly-owned corporations.
- (2) Net tax-supported debt is gross debt of the General Capital and Transit System Funds net of sinking funds.
- (3) Non-portioned taxable assessments exclude fully exempt properties and does not include all converted grants.
- (4) Consolidated revenues are comprised of general revenues, City-owned utilities, revenue from the wholly-owned corporations, investment in government businesses and special operating agencies, but excludes revenues collected on behalf of school authorities.





# THE CITY OF WINNIPEG TAX-SUPPORTED AND CITY-OWNED UTILITIES

## STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS

As at December 31, 2013

|               |                                      | General Municipal Purposes |                | City-owned Utilities |                        |                      |                  | Special Operating Agencies |  |
|---------------|--------------------------------------|----------------------------|----------------|----------------------|------------------------|----------------------|------------------|----------------------------|--|
| By-Law Number | Minister of Finance/Council Approval | General                    | Transit System | Waterworks System    | Sewage Disposal System | Solid Waste Disposal | Fleet Management | Total                      |  |
| 6520/94       | December 2/94                        | \$ 7,000,000               | \$ -           | \$ -                 | \$ -                   | \$ -                 | \$ -             | \$ 7,000,000               |  |
| 6774/96       | April 16/96                          | 14,801,000                 | 1,144,000      | -                    | -                      | -                    | -                | 15,945,000                 |  |
| 6973/97       | March 17/97                          | 27,254,138                 | 463,325        | -                    | -                      | -                    | -                | 27,717,463                 |  |
| 6976/97       | March 17/97                          | 18,213,000                 | 650,000        | -                    | -                      | -                    | -                | 18,863,000                 |  |
| 7125/98       | January 22/98                        | -                          | 1,062,000      | -                    | -                      | -                    | -                | 1,062,000                  |  |
| 7751/01       | March 9/01                           | 14,699,820                 | 770,000        | -                    | -                      | -                    | -                | 15,469,820                 |  |
| 183/2004      | January 13/05                        | -                          | -              | -                    | 16,084,000             | -                    | -                | 16,084,000                 |  |
| 72/2006       | March 22/06                          | 3,902,000                  | 6,808,000      | -                    | -                      | -                    | -                | 10,710,000                 |  |
| 32/2007       | February 21/07                       | 1,696,000                  | 3,417,000      | 16,800,000           | 7,638,000              | -                    | -                | 29,551,000                 |  |
| 219/2007      | January 23/08                        | 3,488,000                  | -              | -                    | 37,200,000             | -                    | -                | 40,688,000                 |  |
| 184/2008      | May 27/09                            | 7,845,000                  | -              | -                    | 50,715,000             | -                    | -                | 58,560,000                 |  |
| 120/2009      | November 25/09                       | 50,000,000                 | -              | -                    | -                      | -                    | -                | 50,000,000                 |  |
| 150/2009      | January 27/10                        | -                          | -              | -                    | 69,865,000             | 3,450,000            | -                | 73,315,000                 |  |
|               | July 12/10                           | -                          | -              | -                    | -                      | -                    | 3,400,000        | 3,400,000                  |  |
|               | March 23/11                          | -                          | -              | -                    | -                      | -                    | 6,700,000        | 6,700,000                  |  |
| 93/2011       | September 28/11                      | 37,342,000                 | -              | -                    | -                      | -                    | -                | 37,342,000                 |  |
| 144/2011      | January 25/12                        | 45,967,000                 | -              | -                    | -                      | 1,250,000            | -                | 47,217,000                 |  |
|               | March 21/12                          | -                          | -              | -                    | -                      | -                    | 7,200,000        | 7,200,000                  |  |
|               | November 14/12                       | -                          | -              | -                    | -                      | -                    | 11,300,000       | 11,300,000                 |  |
| 100/2012      | December 12/12                       | 51,000,000                 | -              | -                    | -                      | -                    | -                | 51,000,000                 |  |
| 23/2013       | March 20, 2013                       | 28,789,000                 | 8,587,000      | -                    | 19,858,000             | 9,200,000            | -                | 66,434,000                 |  |
|               |                                      | \$ 311,996,958             | \$ 22,901,325  | \$ 16,800,000        | \$ 201,360,000         | \$ 13,900,000        | \$ 28,600,000    | \$ 595,558,283             |  |

City Council has the authority under the City of Winnipeg Charter to approve the borrowing authority for Special Operating Agencies. Therefore, the City is not required to obtain approval from the Minister of Finance and to create a by-law.

**THE CITY OF WINNIPEG  
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

**STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS (continued)**

*As at December 31, 2013*

|  |                              |
|--|------------------------------|
| Outstanding Capital Borrowing Authorization at December 31, 2012 | \$ 586,824,283               |
| Add:   |                              |
| By-law 23/2013   | 66,434,000                   |
| By-law 84/2013   | 16,008,000                   |
| Deduct:  |                              |
| Debt Issued  | (60,000,000)                 |
| By-law 150/2009 cancellation                                     | <u>(13,708,000)</u>          |
| Outstanding Capital Borrowing Authorization at December 31, 2013 | <u><u>\$ 595,558,283</u></u> |

# THE CITY OF WINNIPEG TAX-SUPPORTED AND CITY-OWNED UTILITIES

## DEBENTURE DEBT ISSUES

As at December 31, 2013

| The City of Winnipeg |         |               |                         | Amount of Debt |             |
|----------------------|---------|---------------|-------------------------|----------------|-------------|
| Term                 | Month   | Interest Rate | By-Law Number           |                |             |
| Sinking Fund Debt    |         |               |                         |                |             |
| 1994-2014            | Jan. 20 | 8.000         | 6300/94                 | \$             | 85,000,000  |
| 1995-2015            | May 12  | 9.125         | 6620/95                 |                | 88,000,000  |
| 1997-2017            | Nov. 17 | 6.250         | 7000/97                 |                | 30,000,000  |
| 2006-2036            | July 17 | 5.200         | 183/2004 & 72/2006      |                | 60,000,000  |
| 2008-2036            | July 17 | 5.200         | 72/2006 & 32/2007       |                | 100,000,000 |
| 2010-2041            | June 3  | 5.150         | 183/2008                |                | 60,000,000  |
| 2011-2051            | Nov. 15 | 4.300         | 72/06 & 183/08 & 150/09 |                | 50,000,000  |
| 2012-2051            | Nov. 15 | 3.853         | 93/2011                 |                | 50,000,000  |
| 2012-2051            | Nov. 15 | 3.759         | 120/09 & 93/11 & 138/11 |                | 75,000,000  |
| 2013-2051            | Nov. 15 | 4.391         | 93/2011 & 84/2013       |                | 60,000,000  |
| Serial Debt          |         |               |                         |                | 658,000,000 |
| 2004-2014            | Mar. 24 | 4.600         | 86/2003                 | \$             | 5,533,000   |
| 2009-2019            | Oct. 6  | 4.500         | 46/2007 & 31/2009       |                | 29,088,000  |
| Total Debt           |         |               |                         | \$             | 692,621,000 |



# THE CITY OF WINNIPEG

## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

As at December 31, 2013

| Description                         | Debenture Debt        |                       |                       |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
|                                     | Gross                 | Sinking Fund          | Net                   |
| <b>Tax-Supported</b>                |                       |                       |                       |
| General                             | \$ 285,473,640        | \$ 92,712,944         | \$ 192,760,696        |
| Unallocated Sinking Fund Deficit    | -                     | (9,403,901)           | 9,403,901             |
| Total Tax-Supported                 | 285,473,640           | 83,309,043            | 202,164,597           |
| <b>Other Funds</b>                  |                       |                       |                       |
| Municipal Accommodations            | 68,760,674            | 8,294,310             | 60,466,364            |
| Transit System                      | 103,935,696           | 15,986,692            | 87,949,004            |
| Total Tax-Supported and Other Funds | 458,170,010           | 107,590,045           | 350,579,965           |
| <b>City-Owned Utilities</b>         |                       |                       |                       |
| Solid Waste Disposal                | 1,000,000             | 877,952               | 122,048               |
| Waterworks System                   | 198,000,000           | 52,916,411            | 145,083,589           |
| Sewage Disposal System              | 35,450,990            | 33,852,947            | 1,598,043             |
| Total City-Owned Utilities          | 234,450,990           | 87,647,310            | 146,803,680           |
|                                     | <u>\$ 692,621,000</u> | <u>\$ 195,237,355</u> | <u>\$ 497,383,645</u> |

| Description                         | 2014 Fixed Annual Charges |                      |                      |
|-------------------------------------|---------------------------|----------------------|----------------------|
|                                     | Interest                  | Principal            | Total                |
| <b>Tax-Supported</b>                | \$ 11,513,386             | \$ 12,433,525        | \$ 23,946,911        |
| <b>Other Funds</b>                  |                           |                      |                      |
| Municipal Accommodations            | 7,149,715                 | 2,723,989            | 9,873,704            |
| Transit System                      | 5,547,470                 | 1,923,536            | 7,471,006            |
| Total Tax-Supported and Other Funds | 24,210,571                | 17,081,050           | 41,291,621           |
| <b>City-Owned Utilities</b>         |                           |                      |                      |
| Solid Waste Disposal                | 91,250                    | 30,243               | 121,493              |
| Waterworks System                   | 11,641,250                | 3,985,218            | 15,626,468           |
| Sewage Disposal System              | 2,804,717                 | 1,509,481            | 4,314,198            |
| Total City-Owned Utilities          | 14,537,217                | 5,524,942            | 20,062,159           |
|                                     | <u>\$ 38,747,788</u>      | <u>\$ 22,605,992</u> | <u>\$ 61,353,780</u> |

# THE CITY OF WINNIPEG

## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### DEBENTURE DEBT CHANGES DURING 2013

Gross Debt as at January 1, 2013 \$ 744,884,000

#### Debt Issued During 2013

##### *Tax-Supported Debt:*

Police \$ 43,992,000

##### *Utilities Debt:*

Municipal Accommodations 16,008,000 60,000,000

**Sub-total** 804,884,000

#### Debt Retired During 2013

##### *Tax-Supported Debt:*

|   |                |            |  |
|---|----------------|------------|--|
| Assessment - Special Projects           | 98,052         |            |  |
| Business Liaison - Special Projects     | 310            |            |  |
| Community Improvement Program           | 77,450         |            |  |
| Community Services - Special Projects   | 26,550         |            |  |
| Convention Centre                       | 254,080        |            |  |
| Core Area Programs                      | 1,814,244      |            |  |
| Corporate Finance - Special Projects    | 5,576          |            |  |
| Culture and Recreation                  | 1,431,738      |            |  |
| Fire                                    | 1,363,201      |            |  |
| Health and Social Development           | 596,622        |            |  |
| Infrastructure                          | 130,116        |            |  |
| Infrastructure - Land Drainage          | 88,065         |            |  |
| Infrastructure - Parks and Recreation   | 19,335         |            |  |
| Infrastructure - Streets and Bridges    | 123,900        |            |  |
| Land Acquisition                        | 18,600         |            |  |
| Land Drainage                           | 3,503,537      |            |  |
| Land and Development - Special Projects | 146,659        |            |  |
| Libraries                               | 174,294        |            |  |
| North Portage Development               | 180,363        |            |  |
| Overhead Walkways                       | 19,958         |            |  |
| Parks and Recreation                    | 5,722,087      |            |  |
| Parks and Recreation - Special Projects | 75,281         |            |  |
| Police                                  | 1,795,441      |            |  |
| Protection                              | 725,231        |            |  |
| Special Projects                        | 14,785,438     |            |  |
| Streets and Bridges System              | 23,455,746     |            |  |
| Winnipeg Development Agreement          | <u>123,920</u> | 56,755,794 |  |

##### *Utilities Debt:*

|                          |                  |                   |                      |
|--------------------------|------------------|-------------------|----------------------|
| Transit                  | 5,772,818        |                   |                      |
| Waterworks System        | 5,000,000        |                   |                      |
| Sewage Disposal System   | 41,658,804       |                   |                      |
| Municipal Accommodations | <u>3,075,584</u> | <u>55,507,206</u> | <u>(112,263,000)</u> |

**Gross Debt as at December 31, 2013** \$ 692,621,000

**THE CITY OF WINNIPEG**  
**TAX-SUPPORTED AND CITY-OWNED UTILITIES**

**DEBENTURE DEBT - MATURITY BY YEARS**

*As at December 31, 2013*

| <b>Maturity<br/>Year</b>   | <b>Sinking Fund<br/>Debt</b> | <b>Serial and<br/>Installment Debt</b> | <b>Total</b>          | <b>%</b>      |
|----------------------------|------------------------------|--|-----------------------|---------------|
| 2014                       | \$ 85,000,000                | \$ 10,381,000                          | \$ 95,381,000         | 13.77         |
| 2015                       | 88,000,000                   | 4,848,000                              | 92,848,000            | 13.41         |
| 2016                       | -                            | 4,848,000                              | 4,848,000             | 0.70          |
| 2017                       | 30,000,000                   | 4,848,000                              | 34,848,000            | 5.03          |
| 2018                       | -                            | 4,848,000                              | 4,848,000             | 0.70          |
| 2019                       | -                            | 4,848,000                              | 4,848,000             | 0.70          |
| 2036                       | 160,000,000                  | -                                      | 160,000,000           | 23.10         |
| 2041                       | 60,000,000                   | -                                      | 60,000,000            | 8.66          |
| 2051                       | 235,000,000                  | -                                      | 235,000,000           | 33.93         |
| Gross Debt                 | <u>\$ 658,000,000</u>        | <u>\$ 34,621,000</u>                   | 692,621,000           | <u>100.00</u> |
| Less: Sinking Fund Reserve |                              |  | <u>195,237,355</u>    |               |
| Net Debt                   |                              |  | <u>\$ 497,383,645</u> |               |

# THE CITY OF WINNIPEG

## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES

As at December 31, 2013

| Maturity Year | General Tax-Supported | Transit System        | Waterworks System     | Sewage Disposal System | Solid Waste Disposal | Municipal Accommodations | Total                 |
|---------------|-----------------------|-----------------------|-----------------------|------------------------|----------------------|--------------------------|-----------------------|
| 2014          | \$ 31,237,593         | \$ 6,810,696          | \$ 13,000,000         | \$ 35,450,990          | \$ -                 | \$ 8,881,721             | \$ 95,381,000         |
| 2015          | 59,161,185            | 7,075,000             | 25,000,000            | -                      | 1,000,000            | 611,815                  | 92,848,000            |
| 2016          | 4,311,716             | 75,000                | -                     | -                      | -                    | 461,284                  | 4,848,000             |
| 2017          | 34,311,716            | 75,000                | -                     | -                      | -                    | 461,284                  | 34,848,000            |
| 2018          | 4,311,716             | 75,000                | -                     | -                      | -                    | 461,284                  | 4,848,000             |
| 2019          | 4,311,716             | 75,000                | -                     | -                      | -                    | 461,284                  | 4,848,000             |
| 2036          | -                     | -                     | 160,000,000           | -                      | -                    | -                        | 160,000,000           |
| 2041          | -                     | 60,000,000            | -                     | -                      | -                    | -                        | 60,000,000            |
| 2051          | 45,250,000            | 29,750,000            | -                     | -                      | -                    | 160,000,000              | 235,000,000           |
|               | <u>\$ 182,895,642</u> | <u>\$ 103,935,696</u> | <u>\$ 198,000,000</u> | <u>\$ 35,450,990</u>   | <u>\$ 1,000,000</u>  | <u>\$ 171,338,672</u>    | <u>\$ 692,621,000</u> |

# THE CITY OF WINNIPEG

## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT

For the years ending December 31

| Year      | Tax-Supported        |                      |                       | Utilities (Includes Transit System) |                       |                       | Total                 |
|-----------|----------------------|----------------------|-----------------------|-------------------------------------|-----------------------|-----------------------|-----------------------|
|           | Principal            | Interest             | Sub-total             | Principal                           | Interest              | Sub-total             |                       |
| 2014      | \$ 12,433,525        | \$ 11,513,386        | \$ 23,946,911         | \$ 10,172,467                       | \$ 27,234,402         | \$ 37,406,869         | \$ 61,353,780         |
| 2015      | 7,313,296            | 9,523,768            | 16,837,064            | 7,189,076                           | 22,203,875            | 29,392,951            | 46,230,015            |
| 2016      | 5,654,507            | 4,364,288            | 10,018,795            | 6,186,518                           | 19,159,677            | 25,346,195            | 35,364,990            |
| 2017      | 5,654,507            | 4,196,763            | 9,851,270             | 6,186,518                           | 19,138,840            | 25,325,358            | 35,176,628            |
| 2018      | 4,747,307            | 2,146,247            | 6,893,554             | 6,186,518                           | 19,117,010            | 25,303,528            | 32,197,082            |
| 2019      | 4,747,307            | 1,958,808            | 6,706,115             | 6,186,518                           | 19,093,698            | 25,280,216            | 31,986,331            |
| 2020-2036 | 7,405,035            | 30,778,500           | 38,183,535            | 96,053,983                          | 324,279,250           | 420,333,233           | 458,516,768           |
| 2037-2041 | 2,177,955            | 9,052,500            | 11,230,455            | 14,071,170                          | 53,776,250            | 67,847,420            | 79,077,875            |
| 2042-2051 | 4,355,905            | 18,105,000           | 22,460,905            | 18,876,275                          | 76,652,500            | 95,528,775            | 117,989,680           |
|           | <u>\$ 54,489,344</u> | <u>\$ 91,639,260</u> | <u>\$ 146,128,604</u> | <u>\$ 171,109,043</u>               | <u>\$ 580,655,502</u> | <u>\$ 751,764,545</u> | <u>\$ 897,893,149</u> |

# THE CITY OF WINNIPEG

## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE

As at December 31, 2013

| By-law<br>Number  | Amount of<br>Debt | Term of Debt       | Payable | Interest Rates % |       | Annual Charges 2014 |            | Sinking Fund<br>Reserve at<br>Dec. 31, 2013 |
|---|-------------------|--------------------|---------|------------------|-------|---------------------|------------|---|
|   |                   |                    |         | Sinking<br>Fund  | Debt  | Interest            | Principal  |   |
| STREETS AND BRIDGE SYSTEM<br>(street improvements, street lighting, bridges and underpasses)  |                   |                    |         |                  |       |                     |            |   |
| 6300/94   | \$ 11,509,146     | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | \$ 920,732          | \$ 348,066 | \$ 11,131,957                               |
| 86/2003   | 2,464,322         | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 25,777              | 2,464,322  | -   |
| 6620/95   | 22,633,969        | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 2,065,350           | 684,510    | 19,871,530                                  |
| 7000/97   | 20,700,000        | Nov. 17, 1997-2017 | CAN     | 5.000            | 6.250 | 1,293,750           | 625,968    | 14,898,092                                  |
| 46/2007 & 31/2009   | 14,701,744        | Nov. 15, 2011-2051 | CAN     | Serial           | 4.500 | 555,541             | 2,450,291  | -   |
| 72/06 & 183/08 &<br>150/09  | 18,700,000        | Nov. 15, 2011-2051 | CAN     | 4.500            | 4.300 | 804,100             | 174,717    | 359,322                                     |
| 120/09 & 93/11 &<br>138/11  | 25,000,000        | Nov. 15, 2012-2051 | CAN     | 4.500            | 3.759 | 939,750             | 246,392    | 247,789                                     |
|   | 115,709,181       |                    |         |                  |       | 6,605,000           | 6,994,266  | 46,508,690                                  |
| LAND DRAINAGE<br>(storm water relief sewers, drainage sewers and flood control)               |                   |                    |         |                  |       |                     |            |   |
| 6300/94   | 2,625,312         | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 210,025             | 79,396     | 2,539,273                                   |
| 86/2003   | 625,833           | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 6,546               | 625,833    | -   |
| 6620/95   | 2,251,500         | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 205,449             | 68,091     | 1,976,708                                   |
| 7000/97   | 4,900,000         | Nov. 17, 1997-2017 | CAN     | 5.000            | 6.250 | 306,250             | 148,176    | 3,526,601                                   |
| 46/2007 & 31/2009   | 2,190,652         | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 82,779              | 365,109    | -   |
|   | 12,593,297        |                    |         |                  |       | 811,049             | 1,286,605  | 8,042,582                                   |
| CULTURE AND RECREATION<br>(parks, swimming pools, arenas, golf courses, zoo, libraries, etc.) |                   |                    |         |                  |       |                     |            |   |
| 86/2003   | 166,390           | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 1,740               | 166,390    | -   |

# THE CITY OF WINNIPEG

## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2013

| By-law<br>Number   | Amount of<br>Debt | Term of Debt       | Payable | Interest Rates % |       | Annual Charges 2014 |           | Sinking Fund<br>Reserve at<br>Dec. 31, 2013 |
|--|-------------------|--------------------|---------|------------------|-------|---------------------|-----------|---|
|  |                   |                    |         | Sinking<br>Fund  | Debt  | Interest            | Principal |   |
| PARKS AND RECREATION   |                   |                    |         |                  |       |                     |           |   |
| 6300/94  | 5,648,659         | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 451,893             | 170,830   | 5,463,536                                   |
| 86/2003  | 79,992            | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 837                 | 79,992    | -   |
| 6620/95  | 850,000           | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 77,563              | 25,706    | 746,259                                     |
| 46/2007 & 31/2009  | 1,708,586         | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 64,563              | 284,764   | -   |
|  |                   |                    |         |                  |       | 594,856             | 561,292   | 6,209,795                                   |
| LIBRARIES  |                   |                    |         |                  |       |                     |           |   |
| 6300/94  | 73,040            | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 5,843               | 2,209     | 70,646                                      |
| 86/2003  | 32,255            | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 337                 | 32,255    | -   |
| 6620/95  | 10,000            | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 913                 | 302       | 8,780                                       |
| 46/2007 & 31/2009  | 259,966           | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 9,823               | 43,328    | -   |
|  |                   |                    |         |                  |       | 16,916              | 78,094    | 79,426                                      |
| PROTECTION<br>(fire halls, police garage and public safety building) |                   |                    |         |                  |       |                     |           |   |
| 86/2003  | 147,816           | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 1,546               | 147,816   | -   |

# THE CITY OF WINNIPEG TAX-SUPPORTED AND CITY-OWNED UTILITIES

## TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2013

| By-law<br>Number  | Amount of<br>Debt | Term of Debt       | Payable | Interest Rates % |       | Annual Charges 2014 |           | Sinking Fund<br>Reserve at<br>Dec. 31, 2013 |
|---|-------------------|--------------------|---------|------------------|-------|---------------------|-----------|---|
|   |                   |                    |         | Sinking<br>Fund  | Debt  | Interest            | Principal |   |
| <i>FIRE</i>   |                   |                    |         |                  |       |                     |           |   |
| 6300/94   | 13,791            | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 1,103               | 417       | 13,339                                      |
| 86/2003   | 39,790            | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 416                 | 39,790    | -   |
| 6620/95   | 2,000             | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 183                 | 60        | 1,756                                       |
| 7000/97   | 1,800,000         | Nov. 17, 1997-2017 | CAN     | 5.000            | 6.250 | 112,500             | 54,432    | 1,295,486                                   |
| 46/2007 & 31/2009   | 150,005           | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 5,668               | 25,001    | -   |
|   |                   |                    |         |                  |       | 119,870             | 119,700   | 1,310,581                                   |
| <i>POLICE</i>   |                   |                    |         |                  |       |                     |           |   |
| 6300/94   | 335,678           | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 26,854              | 10,152    | 324,677                                     |
| 86/2003   | 7,741             | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 81                  | 7,741     | -   |
| 6620/95   | 100,000           | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 9,125               | 3,024     | 87,795                                      |
| 46/2007 & 31/2009   | 1,128,055         | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 42,626              | 188,009   | -   |
| 93/2011   | 50,000,000        | Nov. 15, 2012-2051 | CAN     | 4.500            | 3.853 | -                   | -         | 495,578                                     |
| 120/09 & 93/11 &<br>138/11  | 8,586,000         | Nov. 15, 2012-2051 | CAN     | 4.500            | 3.759 | -                   | -         | 85,101                                      |
| 93/2011 & 84/2013   | 43,992,000        | Nov. 15, 2013-2051 | CAN     | 4.500            | 4.391 | -                   | -         | -   |
|   |                   |                    |         |                  |       | 78,686              | 208,926   | 993,151                                     |
| <i>HEALTH AND SOCIAL DEVELOPMENT</i><br>(urban renewal, community health centres and hospital capital grants) |                   |                    |         |                  |       |                     |           |   |
| 6300/94   | 12,723            | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 1,018               | 385       | 12,306                                      |
| 86/2003   | 142,907           | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 1,495               | 142,907   | -   |
|   |                   |                    |         |                  |       | 2,513               | 143,292   | 12,306                                      |



# THE CITY OF WINNIPEG

## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2013

| By-law<br>Number  | Amount of<br>Debt | Term of Debt       | Payable | Interest Rates % |       | Annual Charges 2014 |           | Sinking Fund<br>Reserve at<br>Dec. 31, 2013 |
|-------------------|-------------------|--------------------|---------|------------------|-------|---------------------|-----------|---|
|                   |                   |                    |         | Sinking<br>Fund  | Debt  | Interest            | Principal |   |
| SPECIAL PROJECTS  |                   |                    |         |                  |       |                     |           |   |
| 6300/94           | 2,267,324         | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 181,386             | 68,570    | 2,193,017                                   |
| 86/2003           | 166,139           | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 1,738               | 166,139   | -   |
| 6620/95           | 667,000           | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 60,864              | 20,172    | 585,594                                     |
| 46/2007 & 31/2009 | 240,000           | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 9,069               | 40,000    | -   |
|                   | 3,340,463         |                    |         |                  |       | 253,057             | 294,881   | 2,778,611                                   |
| CONVENTION CENTRE |                   |                    |         |                  |       |                     |           |   |
| 6620/95           | 3,100,000         | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 282,875             | 93,752    | 2,721,650                                   |
| OVERHEAD WALKWAYS |                   |                    |         |                  |       |                     |           |   |
| 86/2003           | 20,788            | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 217                 | 20,788    | -   |
| CORE AREA PROGRAM |                   |                    |         |                  |       |                     |           |   |
| 86/2003           | 526,857           | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 5,511               | 526,857   | -   |
| 6620/95           | 235,000           | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 21,444              | 7,107     | 206,319                                     |
| 7000/97           | 1,000,000         | Nov. 17, 1997-2017 | CAN     | 5.000            | 6.250 | 62,500              | 30,240    | 719,715                                     |
|                   | 1,761,857         |                    |         |                  |       | 89,455              | 564,204   | 926,034                                     |
| LAND ACQUISITION  |                   |                    |         |                  |       |                     |           |   |
| 86/2003           | 19,374            | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 203                 | 19,374    | -   |

# THE CITY OF WINNIPEG

## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2013

| By-law<br>Number                      | Amount of<br>Debt | Term of Debt       | Payable | Interest Rates % |       | Annual Charges 2014 |           | Sinking Fund<br>Reserve at<br>Dec. 31, 2013 |
|---------------------------------------|-------------------|--------------------|---------|------------------|-------|---------------------|-----------|---|
|                                       |                   |                    |         | Sinking<br>Fund  | Debt  | Interest            | Principal |   |
| INFRASTRUCTURE                        |                   |                    |         |                  |       |                     |           |   |
| 6620/95                               | 25,000,000        | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 2,281,250           | 756,064   | 21,948,792                                  |
| 46/2007 & 31/2009                     | 780,697           | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 29,501              | 130,116   | -   |
|                                       | 25,780,697        |                    |         |                  |       | 2,310,751           | 886,180   | 21,948,792                                  |
| INFRASTRUCTURE - LAND DRAINAGE        |                   |                    |         |                  |       |                     |           |   |
| 46/2007 & 31/2009                     | 528,390           | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 19,967              | 88,065    | -   |
| INFRASTRUCTURE - PARKS AND RECREATION |                   |                    |         |                  |       |                     |           |   |
| 46/2007 & 31/2009                     | 116,010           | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 4,384               | 19,335    | -   |
| INFRASTRUCTURE - STREETS AND BRIDGES  |                   |                    |         |                  |       |                     |           |   |
| 7000/97                               | 1,600,000         | Nov. 17, 1997-2017 | CAN     | 5.000            | 6.250 | 100,000             | 48,384    | 1,151,543                                   |
| 46/2007 & 31/2009                     | 743,400           | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 28,091              | 123,900   | -   |
|                                       | 2,343,400         |                    |         |                  |       | 128,091             | 172,284   | 1,151,543                                   |
| COMMUNITY IMPROVEMENT PROGRAM         |                   |                    |         |                  |       |                     |           |   |
| 46/2007 & 31/2009                     | 464,700           | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 17,560              | 77,450    | -   |
| LOCAL IMPROVEMENTS                    |                   |                    |         |                  |       |                     |           |   |
| 72/06 & 183/08 &<br>50/09             | 1,550,000         | Nov. 15, 2011-2051 | CAN     | 4.500            | 4.300 | 66,650              | 14,482    | 29,783                                      |

# THE CITY OF WINNIPEG

## TAX-SUPPORTED AND CITY-OWNED UTILITIES

### TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2013

| By-law<br>Number                        | Amount of<br>Debt | Term of Debt      | Payable | Interest Rates % |       | Annual Charges 2014 |            | Sinking Fund<br>Reserve at<br>Dec. 31, 2013 |
|---|-------------------|-------------------|---------|------------------|-------|---------------------|------------|---|
|   |                   |                   |         | Sinking<br>Fund  | Debt  | Interest            | Principal  |   |
| WINNIPEG DEVELOPMENT AGREEMENT          |                   |                   |         |                  |       |                     |            |   |
| 46/2007 & 31/2009                       | 743,520           | Oct. 6, 2009-2019 | CAN     | Serial           | 4.500 | 28,096              | 123,920    | -   |
| SPECIAL PROJECTS - PARKS AND RECREATION |                   |                   |         |                  |       |                     |            |   |
| 46/2007 & 31/2009                       | 451,688           | Oct. 6, 2009-2019 | CAN     | Serial           | 4.500 | 17,068              | 75,281     | -   |
| SPECIAL PROJECTS - COMMUNITY SERVICES   |                   |                   |         |                  |       |                     |            |   |
| 46/2007 & 31/2009                       | 159,299           | Oct. 6, 2009-2019 | CAN     | Serial           | 4.500 | 6,020               | 26,550     | -   |
| SPECIAL PROJECTS - LAND AND DEVELOPMENT |                   |                   |         |                  |       |                     |            |   |
| 46/2007 & 31/2009                       | 879,956           | Oct. 6, 2009-2019 | CAN     | Serial           | 4.500 | 33,251              | 146,660    | -   |
| SPECIAL PROJECTS - ASSESSMENT           |                   |                   |         |                  |       |                     |            |   |
| 46/2007 & 31/2009                       | 588,310           | Oct. 6, 2009-2019 | CAN     | Serial           | 4.500 | 22,231              | 98,052     | -   |
| SPECIAL PROJECTS - CORPORATE FINANCE    |                   |                   |         |                  |       |                     |            |   |
| 46/2007 & 31/2009                       | 33,458            | Oct. 6, 2009-2019 | CAN     | Serial           | 4.500 | 1,264               | 5,576      | -   |
| SPECIAL PROJECTS - BUSINESS LIAISON     |                   |                   |         |                  |       |                     |            |   |
| 46/2007 & 31/2009                       | 1,858             | Oct. 6, 2009-2019 | CAN     | Serial           | 4.500 | 70                  | 310        | -   |
| Tax-Supported<br>Total                  | 285,473,640       |                   |         |                  |       | 11,513,386          | 12,433,525 | 92,712,944                                  |

# THE CITY OF WINNIPEG TAX-SUPPORTED AND CITY-OWNED UTILITIES

## CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE

As at December 31, 2013

| By-law<br>Number           | Amount of<br>Debt | Term of Debt       | Payable | Interest Rates % |       | Annual Charges 2014 |           | Sinking Fund<br>Reserve at<br>Dec. 31, 2013 |
|----------------------------|-------------------|--------------------|---------|------------------|-------|---------------------|-----------|---|
|                            |                   |                    |         | Sinking<br>Fund  | Debt  | Interest            | Principal |   |
| TRANSIT SYSTEM             |                   |                    |         |                  |       |                     |           |   |
| 6300/94                    | 6,500,000         | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 520,000             | 196,577   | 6,286,976                                   |
| 86/2003                    | 235,696           | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 2,465               | 235,696   | -   |
| 6620/95                    | 7,000,000         | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 638,750             | 211,698   | 6,145,661                                   |
| 46/2007 & 31/2009          | 450,000           | Oct. 6, 2009-2019  | CAN     | Serial           | 4.500 | 17,005              | 75,000    | -   |
| 183/2008                   | 60,000,000        | June 3, 2010-2041  | CAN     | 4.500            | 5.150 | 3,090,000           | 926,607   | 2,982,406                                   |
| 72/06 & 183/08 &<br>150/09 | 29,750,000        | Nov. 15, 2011-2051 | CAN     | 4.500            | 4.300 | 1,279,250           | 277,959   | 571,649                                     |
|                            | 103,935,696       |                    |         |                  |       | 5,547,470           | 1,923,537 | 15,986,692                                  |
| WATERWORKS SYSTEM          |                   |                    |         |                  |       |                     |           |   |
| 6300/94                    | 13,000,000        | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 1,040,000           | 393,154   | 12,573,952                                  |
| 6620/95                    | 25,000,000        | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 2,281,250           | 756,064   | 21,948,791                                  |
| 183/04 & 72/06             | 60,000,000        | July 17, 2006-2036 | CAN     | 4.500            | 5.200 | 3,120,000           | 984,000   | 8,053,310                                   |
| 72/06 & 32/07              | 100,000,000       | July 17, 2008-2036 | CAN     | 4.500            | 5.200 | 5,200,000           | 1,852,000 | 10,340,358                                  |
|                            | 198,000,000       |                    |         |                  |       | 11,641,250          | 3,985,218 | 52,916,411                                  |
| SEWAGE DISPOSAL SYSTEM     |                   |                    |         |                  |       |                     |           |   |
| 6300/94                    | 35,000,000        | Jan. 20, 1994-2014 | CAN     | 5.000            | 8.000 | 2,800,000           | 1,058,491 | 33,852,947                                  |
| 86/2003                    | 450,990           | Mar. 24, 2004-2014 | CAN     | Serial           | 4.600 | 4,717               | 450,990   | -   |
|                            | 35,450,990        |                    |         |                  |       | 2,804,717           | 1,509,481 | 33,852,947                                  |
| SOLID WASTE DISPOSAL       |                   |                    |         |                  |       |                     |           |   |
| 6620/95                    | 1,000,000         | May 12, 1995-2015  | CAN     | 5.000            | 9.125 | 91,250              | 30,243    | 877,951                                     |

# THE CITY OF WINNIPEG TAX-SUPPORTED AND CITY-OWNED UTILITIES

## CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2013

| By-law<br>Number                 | Amount of<br>Debt | Term of Debt       | Payable | Interest Rates % |       | Annual Charges 2014 |               | Sinking Fund<br>Reserve at<br>Dec. 31, 2013 |
|----------------------------------|-------------------|--------------------|---------|------------------|-------|---------------------|---------------|---|
|                                  |                   |                    |         | Sinking<br>Fund  | Debt  | Interest            | Principal     |   |
| MUNICIPAL ACCOMMODATIONS         |                   |                    |         |                  |       |                     |               |   |
| 6300/94                          | 8,014,327         | Jan. 20, 1994-2014 | CAN     | 5,000            | 8,000 | 641,146             | 242,374       | 7,751,674                                   |
| 86/2003                          | 406,110           | Mar. 24, 2004-2014 | CAN     | Serial           | 4,600 | 4,248               | 406,110       | -   |
| 6620/95                          | 150,531           | May 12, 1995-2015  | CAN     | 5,000            | 9,125 | 13,736              | 4,552         | 132,159                                     |
| 46/2007 & 31/2009                | 2,767,706         | Oct. 6, 2009-2019  | CAN     | Serial           | 4,500 | 104,585             | 461,283       | -   |
| 120/09 & 93/11 &                 |                   |                    |         |                  |       |                     |               |   |
| 138/11                           | 41,414,000        | Nov. 15, 2012-2051 | CAN     | 4,500            | 3,759 | 1,556,752           | 408,163       | 410,478                                     |
| 93/2011 & 84/2013                | 16,008,000        | Nov. 15, 2013-2051 | CAN     | 4,500            | 4,391 | 688,344             | 166,510       | -   |
| 93/2011                          |                   | Nov. 15, 2012-2051 | CAN     | 4,500            | 3,853 | 1,926,500           | 492,784       | -   |
| 120/09 & 93/11 &                 |                   |                    |         |                  |       |                     |               |   |
| 138/11                           |                   | Nov. 15, 2012-2051 | CAN     | 4,500            | 3,759 | 322,748             | 84,621        | -   |
| 93/2011 & 84/2013                |                   | Nov. 15, 2013-2051 | CAN     | 4,500            | 4,391 | 1,891,656           | 457,591       | -   |
|                                  | 68,760,674        |                    |         |                  |       | 7,149,715           | 2,723,988     | 8,294,311                                   |
| Utility<br>Total                 | 407,147,360       |                    |         |                  |       | 27,234,402          | 10,172,467    | 111,928,312                                 |
| Unallocated Sinking Fund Deficit |                   |                    |         |                  |       |                     |               |   |
|                                  |                   |                    |         |                  |       |                     |               | (9,403,901)                                 |
| Grand<br>Total                   | \$ 692,621,000    |                    |         |                  |       | \$ 38,747,788       | \$ 22,605,992 | \$ 195,237,355                              |

Note: With passing of the new City of Winnipeg Charter in 2003, the City is no longer required to pass a by-law when it issues debentures.





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